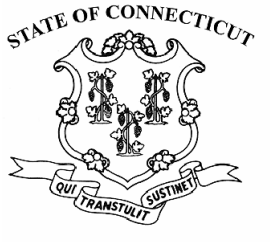


***House Bill No. 6801***

## *October Special Session, Public Act No. 11-1*

### *AN ACT PROMOTING ECONOMIC GROWTH AND JOB CREATION IN THE STATE.*

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective from passage*) (a) There is established within the Department of Economic and Community Development the Small Business Express program. Said program shall provide small businesses with various forms of financial assistance, using a streamlined application process to expedite the delivery of such assistance. A small business eligible for assistance through said program shall, as of the effective date of this section, (1) employ, on at least fifty per cent of its working days during the preceding twelve months, not more than fifty employees, (2) be a Connecticut-based business with operations in Connecticut, (3) have been registered to conduct business in this state for not less than twelve months, and (4) be in good standing with the payment of all state and local taxes and with all state agencies.

(b) The Small Business Express program shall consist of various components, including (1) a revolving loan fund, as described in subsection (d) of this section, to support small business growth, (2) a job creation incentive component, as described in subsection (e) of this section, to support hiring, and (3) a matching grant component, as

described in subsection (f) of this section, to provide capital to small businesses that can match the state grant amount. The Commissioner of Economic and Community Development shall work with eligible small business applicants to provide a package of assistance using not only the financial assistance provided by the Small Business Express program but also Subsidized Training and Employment program established pursuant to section 4 of this act, and any other appropriate state program. Notwithstanding the provisions of section 32-5a of the general statutes, regarding relocation limits, the department may require as a condition of receiving financial assistance pursuant to this section, that a small business receiving such assistance shall not relocate, as defined in said section 32-5a, for five years after receiving such assistance. All other conditions and penalties imposed pursuant to said section 32-5a shall continue to apply to such small business.

(c) The commissioner shall establish a streamlined application process for the Small Business Express program. The small business applicant may receive assistance pursuant to said program not later than thirty days after submitting a completed application to the department. Any small business meeting the eligibility criteria in subsection (a) of this section may apply to said program. The commissioner shall give priority for available funding to (1) small businesses creating jobs, and (2) economic base industries, as defined in subsection (d) of section 32-222 of the general statutes, including, but not limited to, those in the fields of precision manufacturing, business services, green and sustainable technology, bioscience and information technology.

(d) (1) There is established as part of the Small Business Express program a revolving loan fund to provide loans to eligible small businesses. Such loans shall be used for acquisition of machinery and equipment, construction or leasehold improvements, relocation expenses, working capital or other business-related expenses, as

authorized by the commissioner.

(2) Loans from the revolving loan fund may be in amounts from ten thousand dollars to a maximum of one hundred thousand dollars, shall carry a maximum repayment rate of four per cent and shall be for a term of not more than five years. The department shall review and approve loan terms, conditions and collateral requirements in a manner that prioritizes job growth and retention.

(3) Any eligible small business meeting the eligibility criteria in subsection (a) of this section may apply for assistance from the revolving loan fund, but the commissioner shall give priority to applicants that, as part of their business plan, are creating new jobs that will be maintained for not less than twelve consecutive months.

(e) (1) There is established as part of the Small Business Express program a job creation incentive component to provide loans for job creation to small businesses meeting the eligibility criteria in subsection (a) of this section, with the option of loan forgiveness based on the maintenance of an increased number of jobs for not less than twelve consecutive months. Such loans may be used for training, marketing, working capital or other expenses, as approved by the commissioner, that support job creation.

(2) Loans under the job creation incentive component may be in amounts from ten thousand dollars to a maximum of two hundred fifty thousand dollars. Payments on such loans may be deferred, and all or part of such loan may be forgiven, based upon the commissioner's assessment of the small business's attainment of job creation goals. The department shall review and approve loan terms, conditions and collateral requirements in a manner that prioritizes job creation.

(f) (1) There is established as part of the Small Business Express

program a matching grant component to provide grants for capital to small businesses meeting the eligibility criteria in subsection (a) of this section. Such small businesses shall match any state funds awarded under this program. Grant funds may be used for ongoing or new training, working capital, acquisition of machinery and equipment, construction or leasehold improvements, relocation within the state or other business-related expenses authorized by the commissioner.

(2) Matching grants provided under the matching grant component may be in amounts from ten thousand dollars to a maximum of one hundred thousand dollars. The commissioner shall prioritize applicants for matching grants based upon the likelihood that such grants will assist applicants in maintaining job growth.

(g) Not later than June 30, 2012, and every six months thereafter, the commissioner shall provide a report, in accordance with the provisions of section 11-4a of the general statutes, to the joint standing committees of the General Assembly having cognizance of matters relating to finance, revenue and bonding, appropriations, commerce and labor. Such report shall include available data on (1) the number of small businesses that applied to the Small Business Express program, (2) the number of small businesses that received assistance under said program and the general categories of such businesses, (3) the amounts and types of assistance provided, (4) the total number of jobs on the date of application and the number proposed to be created or retained, and (5) the most recent employment figures of the small businesses receiving assistance. The contents of such report shall also be included in the department's annual report.

Sec. 2. (*Effective from passage*) (a) For the purposes described in subsection (b) of this section, the State Bond Commission shall have the power, from time to time to authorize the issuance of bonds of the state in one or more series and in principal amounts not exceeding in the aggregate one hundred million dollars, provided fifty million

dollars of said authorization shall be effective July 1, 2012.

(b) The proceeds of the sale of said bonds, to the extent of the amount stated in subsection (a) of this section, shall be used by the Department of Economic and Community Development for the purpose of the Small Business Express program established pursuant to section 1 of this act, provided (1) twenty million dollars of the amount stated in subsection (a) of this section may be used, in each of fiscal years 2012 and 2013, for the revolving loan fund established pursuant to subsection (d) of section 1 of this act, (2) ten million dollars of the amount stated in subsection (a) of this section may be used, in each of fiscal years 2012 and 2013, for the job creation incentive component established pursuant to subsection (e) of section 1 of this act, and (3) twenty million dollars of the amount stated in subsection (a) of this section may be used, in each of fiscal years 2012 and 2013, for the matching grant component established pursuant to subsection (f) of section 1 of this act. Any time at which an amount in subdivision (1), (2) or (3) of this subsection is used for a component of the Small Business Express program other than that specified in said subdivision (1), (2) or (3), the Commissioner of Economic and Community Development shall report, in accordance with the provisions of section 11-4a of the general statutes, to the joint standing committees of the General Assembly having cognizance of matters relating to finance, revenue and bonding, commerce and labor, detailing the amount of the proceeds of the sale of said bonds that was so used and how such amount was divided among said components.

(c) All provisions of section 3-20 of the general statutes, or the exercise of any right or power granted thereby, which are not inconsistent with the provisions of this section are hereby adopted and shall apply to all bonds authorized by the State Bond Commission pursuant to this section, and temporary notes in anticipation of the money to be derived from the sale of any such bonds so authorized

may be issued in accordance with said section 3-20 and from time to time renewed. Such bonds shall mature at such time or times not exceeding twenty years from their respective dates as may be provided in or pursuant to the resolution or resolutions of the State Bond Commission authorizing such bonds. None of said bonds shall be authorized except upon a finding by the State Bond Commission that there has been filed with it a request for such authorization which is signed by or on behalf of the Secretary of the Office of Policy and Management and states such terms and conditions as said commission, in its discretion, may require. Said bonds issued pursuant to this section shall be general obligations of the state and the full faith and credit of the state of Connecticut are pledged for the payment of the principal of and interest on said bonds as the same become due, and accordingly and as part of the contract of the state with the holders of said bonds, appropriation of all amounts necessary for punctual payment of such principal and interest is hereby made, and the State Treasurer shall pay such principal and interest as the same become due.

Sec. 3. Subsection (a) of section 32-1m of the general statutes is amended by adding subdivisions (23) and (24) as follows (*Effective from passage*):

(NEW) (23) With regard to the Small Business Express program established pursuant to section 1 of this act, data on (A) the number of small businesses that applied to the Small Business Express program, (B) the number of small businesses that received assistance under said program and the general categories of such businesses, (C) the amounts and types of assistance provided, (D) the total number of jobs on the date of application and the number proposed to be created or retained, and (E) the most recent employment figures of the small businesses receiving assistance.

(NEW) (24) With regard to airport development zones established

pursuant to section 32-75d, as amended by this act, a summary of the economic and cost benefits of each zone and, in consultation with the Connecticut Airport Authority, any recommended revisions to any such zones.

Sec. 4. (NEW) (*Effective from passage*) (a) For purposes of this section:

(1) "Department" means the Labor Department;

(2) "Eligible small business" means a business that (A) employed not more than fifty full-time employees on at least fifty per cent of its working days during the preceding twelve months, (B) is a Connecticut-based business with operations in Connecticut, (C) has been registered to conduct business in this state for not less than twelve months, and (D) is in good standing with the payment of all state and local taxes. "Eligible small business" does not include a retailer, as defined in section 42-371 of the general statutes;

(3) "Control", with respect to a corporation, means ownership, directly or indirectly, of stock possessing fifty per cent or more of the total combined voting power of all classes of the stock of such corporation entitled to vote. "Control", with respect to a trust, means ownership, directly or indirectly, of fifty per cent or more of the beneficial interest in the principal or income of such trust. The ownership of stock in a corporation, of a capital or profits interest in a partnership, limited liability company or association or of a beneficial interest in a trust shall be determined in accordance with the rules for constructive ownership of stock provided in Section 267(c) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, other than paragraph (3) of said Section 267(c);

(4) "Related person" means (A) a corporation, limited liability company, partnership, association or trust controlled by the eligible

small business, (B) an individual, corporation, limited liability company, partnership, association or trust that is in control of the eligible small business, (C) a corporation, limited liability company, partnership, association or trust controlled by an individual, corporation, limited liability company, partnership, association or trust that is in control of the eligible small business, or (D) a member of the same controlled group as the eligible small business;

(5) "Eligible small manufacturer" means an eligible small business described in sectors 31 to 33, inclusive, of the North American Industry Classification System, that employed not more than fifty employees on at least fifty per cent of its working days during the preceding twelve months.

(b) (1) There is established within the Labor Department a Subsidized Training and Employment program for eligible small businesses and eligible small manufacturers. Said program shall provide grants to such businesses and manufacturers to subsidize, for the first six months after a person is hired, a part of the cost of employment, including any costs related to training. No such business or manufacturer receiving a grant under this section with respect to a new employee or newly-hired person may receive a second grant under this section with respect to the same new employee or newly-hired person.

(2) The department may use up to four per cent of any funds allocated pursuant to section 5 of this act for the purpose of retaining outside consultants to administer the Subsidized Training and Employment program.

(c) (1) An eligible small business may apply to the department for a grant to subsidize on-the-job training and compensation for a new employee, where "new employee" means a person who (A) was unemployed immediately prior to employment, regardless of whether

such person collected unemployment compensation benefits as a result of such unemployment, (B) is a resident of a municipality that has (i) an unemployment rate that is equal to or higher than the state unemployment rate as of September 1, 2011, or (ii) a population of eighty thousand or more, and (C) has a family income equal to or less than two hundred fifty per cent of the federal poverty level, adjusted for family size. "New employee" does not include a person who was employed in this state by a related person with respect to the eligible small business during the prior twelve months.

(2) Grants to eligible small businesses under the Subsidized Training and Employment program shall be in the following amounts: (A) For the first full calendar month a new employee is employed, one hundred per cent of an amount representing the hourly wage of such new employee, exclusive of any benefits, but in no event shall such amount exceed twenty dollars per hour; (B) for the second and third full calendar months, seventy-five per cent of such amount; (C) for the fourth and fifth full calendar months, fifty per cent of such amount; and (D) for the sixth full calendar month, twenty-five per cent of such amount. Grants shall be cancelled as of the date the new employee leaves employment with the eligible small business.

(d) (1) An eligible small manufacturer may apply to the department for a grant to be used to train and compensate persons newly hired by such manufacturer. Any training shall be provided by such manufacturer, and take place on such manufacturer's premises, but no existing formal training program shall be required. The department shall review and approve such manufacturer's description of the proposed training as part of the application.

(2) Grants awarded to an eligible small manufacturer pursuant to this subsection shall subsidize the costs of training and compensating each person newly hired by such manufacturer. In no event shall a grant exceed the salary of the newly-hired person. Maximum amounts

of each grant are: For the first full calendar month a newly-hired person is employed, up to two thousand five hundred dollars; for the second month, up to two thousand four hundred dollars; for the third month, up to two thousand two hundred dollars; for the fourth month, up to two thousand dollars; for the fifth month, up to one thousand eight hundred dollars; and for the sixth month, up to one thousand six hundred dollars. No grant shall exceed a total amount of twelve thousand five hundred dollars per newly-hired person. A grant may be cancelled as of the date such person leaves employment with the eligible small manufacturer.

(e) Not later than June 30, 2012, and every six months thereafter, the Labor Commissioner shall provide a report, in accordance with the provisions of section 11-4a of the general statutes, to the joint standing committees of the General Assembly having cognizance of matters relating to finance, revenue and bonding, appropriations, commerce and labor. Said report shall include available data on (1) the number of small businesses that participated in the Subsidized Training and Employment program established pursuant to subsection (c) of this section, and the general categories of such businesses, (2) the number of small manufacturers that participated in the Subsidized Training and Employment program established pursuant to subsection (d) of this section, and the general categories of such manufacturers, (3) the number of individuals that received employment, and (4) the most recent estimate of the number of jobs created or maintained.

(f) The Labor Commissioner may adopt regulations in accordance with the provisions of chapter 54 of the general statutes to carry out the provisions of this section.

Sec. 5. (*Effective from passage*) (a) For the purposes described in subsection (b) of this section, the State Bond Commission shall have the power, from time to time to authorize the issuance of bonds of the state in one or more series and in principal amounts not exceeding in

the aggregate twenty million dollars, provided ten million dollars of said authorization shall be effective July 1, 2012.

(b) The proceeds of the sale of said bonds, to the extent of the amount stated in subsection (a) of this section, shall be used by the Labor Department for the purpose of the Subsidized Training and Employment program established pursuant to section 4 of this act provided (1) five million dollars of the amount stated in subsection (a) of this section shall be used in each of fiscal years 2012 and 2013 for the small business program established pursuant to subsection (c) of section 4 of this act, and (2) five million dollars of the amount stated in subsection (a) of this section shall be used in each of fiscal years 2012 and 2013 for the small manufacturer program established pursuant to subsection (d) of section 4 of this act.

(c) All provisions of section 3-20 of the general statutes, or the exercise of any right or power granted thereby, which are not inconsistent with the provisions of this section are hereby adopted and shall apply to all bonds authorized by the State Bond Commission pursuant to this section, and temporary notes in anticipation of the money to be derived from the sale of any such bonds so authorized may be issued in accordance with said section 3-20 and from time to time renewed. Such bonds shall mature at such time or times not exceeding twenty years from their respective dates as may be provided in or pursuant to the resolution or resolutions of the State Bond Commission authorizing such bonds. None of said bonds shall be authorized except upon a finding by the State Bond Commission that there has been filed with it a request for such authorization which is signed by or on behalf of the Secretary of the Office of Policy and Management and states such terms and conditions as said commission, in its discretion, may require. Said bonds issued pursuant to this section shall be general obligations of the state and the full faith and credit of the state of Connecticut are pledged for the payment of the

principal of and interest on said bonds as the same become due, and accordingly and as part of the contract of the state with the holders of said bonds, appropriation of all amounts necessary for punctual payment of such principal and interest is hereby made, and the State Treasurer shall pay such principal and interest as the same become due.

Sec. 6. (*Effective from passage*) The Department of Energy and Environmental Protection shall study the department's state permitting and enforcement processes and the feasibility of developing a methodology of processing such permit applications and enforcement actions based on tiered levels of risk to the environment. Such methodology may include, but shall not be limited to, expedited procedures for the processing of permit applications and enforcement actions that pose the lowest level of risk to the environment. Not later than February 1, 2012, the Department of Energy and Environmental Protection shall submit a report, in accordance with section 11-4a of the general statutes, to the joint standing committees of the General Assembly having cognizance of matters relating to the environment and commerce. Such report shall include, but not be limited to: (1) A detailed summary of the study performed by the department pursuant to this section, (2) recommendations for administrative or legislative action required for the implementation of a tiered methodology of processing permit applications and enforcement actions, as described in this section, and (3) any additional recommendations on other methods of improving the speed, transparency, consistency and predictability of the processing of the department's state permits and enforcement actions for businesses in the state without compromising environmental standards.

Sec. 7. Section 14-298 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

There shall be within the Department of Transportation a State

Traffic Commission. Said Traffic Commission shall consist of the Commissioner of Transportation, the Commissioner of Public Safety and the Commissioner of Motor Vehicles. The Commissioner of Economic and Community Development, or his or her designee, shall be a member of the commission when the commission discusses and votes on any matter relating to an economic development project. For the purpose of standardization and uniformity, said commission shall adopt and cause to be printed for publication regulations establishing a uniform system of traffic control signals, devices, signs and markings consistent with the provisions of this chapter for use upon the public highways. The **[**commissioner**]** Commissioner of Transportation shall make known to the General Assembly the availability of such regulations and any requesting member shall be sent a written copy or electronic storage media of such regulations by **[**the**]** said commissioner. Taking into consideration the public safety and convenience with respect to the width and character of the highways and roads affected, the density of traffic thereon and the character of such traffic, said commission shall also adopt regulations, in cooperation and agreement with local traffic authorities, governing the use of state highways and roads on state-owned properties, and the operation of vehicles including but not limited to motor vehicles, as defined by section 14-1, and bicycles, as defined by section 14-286, thereon. A list of limited-access highways shall be published with such regulations and said list shall be revised and published once each year. The **[**commissioner**]** Commissioner of Transportation shall make known to the General Assembly the availability of such regulations and list and any requesting member shall be sent a written copy or electronic storage media of such regulations and list by the commissioner. A list of limited-access highways opened to traffic by the Commissioner of Transportation in the interim period between publications shall be maintained in the office of the State Traffic Commission and such regulations shall apply to the use of such listed highways. Said commission shall also make regulations, in cooperation

and agreement with local traffic authorities, respecting the use by through truck traffic of streets and highways within the limits of, and under the jurisdiction of, any city, town or borough of this state for the protection and safety of the public. If said commission determines that the prohibition of through truck traffic on any street or highway is necessary because of an immediate and imminent threat to the public health and safety and the local traffic authority is precluded for any reason from acting on such prohibition, the commission, if it is not otherwise precluded from so acting, may impose such prohibition. Said commission may place and maintain traffic control signals, signs, markings and other safety devices, which it deems to be in the interests of public safety, upon such highways as come within the jurisdiction of said commission as set forth in section 14-297. The traffic authority of any city, town or borough may place and maintain traffic control signals, signs, markings and other safety devices upon the highways under its jurisdiction, and all such signals, devices, signs and markings shall conform to the regulations established by said commission in accordance with this chapter, and such traffic authority shall, with respect to traffic control signals, conform to the provisions of section 14-299.

Sec. 8. (NEW) (*Effective from passage*) Notwithstanding any provision of title 13b or 14 of the general statutes, in all matters in which a formal petition, application or request for a permit is required to be submitted to the Commissioner of Transportation or the State Traffic Commission, and such petition, application or request is in connection with an economic development project, the commissioner or commission shall, not later than sixty days after the date on which the commissioner or commission receives a completed petition, application or request, make a final determination whether to approve such completed petition, application or request. The commissioner or commission shall notify the petitioner, applicant or requestor of such final determination. In the event that the commissioner or commission

fails to make a final determination not later than sixty days after the date on which the commissioner or commission received such completed petition, application or request, such completed petition, application or request shall be deemed approved.

Sec. 9. (NEW) (*Effective from passage*) Not later than July 1, 2012, the permit ombudsman within the Department of Economic and Community Development shall develop recommendations for a certification program similar to the state of New York's "Build Now-NY/Shovel Ready Certification Program". Not later than January 1, 2013, the permit ombudsman shall submit such recommendations to the Commissioner of Economic and Community Development, the Commissioner of Energy and Environmental Protection, the Governor and the joint standing committees of the General Assembly having cognizance of matters relating to the environment and commerce.

Sec. 10. (NEW) (*Effective from passage*) The Office of Policy and Management, within available appropriations, shall enter into an agreement for consultant services to apply LEAN practices and principles to the permitting and enforcement processes of the Departments of Energy and Environmental Protection, Economic and Community Development, Administrative Services and Transportation that are most frequently utilized by business entities. Such agreement shall also require the consultant to apply LEAN practices and principles to the licensure procedures for commercial bus drivers that are currently performed by the Departments of Consumer Protection, Emergency Services and Public Protection, and Children and Families. Such consultant shall develop recommendations for the implementation of a prepermitting system for commercial bus drivers that enables businesses to utilize commercial bus drivers who await the applicable licensing authority's performance of a criminal background check.

Sec. 11. (*Effective from passage*) Not later than February 1, 2012, the

Departments of Energy and Environmental Protection, Transportation and Economic and Community Development shall make recommendations to the joint standing committee of the General Assembly having cognizance of matters relating to such agency, respectively, for the revision or repeal of any program of such agency or statute relating to such agency that such agency deems to be obsolete or in need of revision for the purpose of making the operations or procedures of such program or statutory provision more efficient. The Department of Energy and Environmental Protection shall make such recommendations to the joint standing committee of the General Assembly having cognizance of matters relating to the environment.

Sec. 12. Section 22-6d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

As used in section 22-6e, as amended by this act: "Commissioner" means the Commissioner of Agriculture; "department" means the Department of Agriculture; "garden" means a piece of land appropriate for the cultivation of herbs, fruits, flowers, or vegetables; "sponsor" means any municipal agency or nonprofit civic service association or organization designated by the commissioner to operate a program pursuant to section 22-6e, as amended by this act; "use" means, when applied to gardening, to make use of, without conveyance of title or any other ownership; "vacant public land" means any land owned by the state, or any municipality therein, that is not in use for public purposes; "agricultural restoration purposes" means reclamation of grown over pastures and meadows, installation of fences to keep livestock out of riparian areas, replanting of vegetation on erosion prone land or along streams, restoration of water runoff patterns, improvement of irrigation efficiency, conducting hedgerow management, including the removal of invasive plants and timber, or renovating farm ponds through farm pond management.

Sec. 13. Subsection (a) of section 22-6e of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) The commissioner may develop a program to encourage the use of vacant public land owned by the state for gardening, **[**or**]** agricultural purposes or agricultural restoration purposes. In order to carry out said program, the commissioner shall: (1) In cooperation with other state agencies, compile a list of all vacant public land owned by the state, that in the opinion of such agencies and the commissioner may be feasibly used for gardening, **[**or**]** agriculture or, based upon soil type, is suitable for agricultural restoration purposes, and (2) establish a procedure for application to the department on a form to be furnished by the commissioner for a permit to use available vacant public land for gardening, **[**or**]** agricultural purposes or agricultural restoration purposes. The commissioner shall adopt regulations pursuant to chapter 54 to carry out the provisions of this section, including but not limited to requirements for agreements to use vacant public land for gardening, **[**or**]** agricultural purposes or agricultural restoration purposes, establishment of a fee for such permit, except that no fee shall be charged for gardening permits, and requirements for the use of such land for agricultural purposes based on competitive open bidding. Permits shall be for a period prescribed by the commissioner but shall not exceed ten years from the date of issuance. After such period permit holders may apply for a new permit or renewal of the permit. Applicants shall submit a plan for such use and shall agree to maintain the land in a condition consistent with such land use plan, and shall agree to abide by regulations adopted by the department pursuant to chapter 54. Failure to carry out the conditions of agreement shall result in the forfeiture of the garden, **[**or**]** agriculture or agricultural restoration permit. Any applicant who is granted the use of vacant public land for gardening, **[**or**]** agricultural purposes or agricultural restoration purposes shall indemnify and save harmless

the state and all of its officers, agents and employees against suits and claims of liability of each name and nature arising out of, or in consequence of the use of vacant public land.

Sec. 14. Section 22-6c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) The Commissioner of Agriculture may reimburse any farmer for part of the cost of compliance with a comprehensive farm nutrient management plan or a farm resources management plan, provided such plan has been approved by the Commissioner of Environmental Protection. The Commissioner of Agriculture, in cooperation with the United States Department of Agriculture, may certify for payment comprehensive farm nutrient management or farm resources management plan practices that have been approved by the Commissioner of Environmental Protection pursuant to this section. The total federal and state grant available to a farmer shall not be more than ninety per cent of such cost. In making grants under this **[**section**]** subsection, the **[**commissioner**]** Commissioner of Agriculture shall give priority to capital improvements made in accordance with a comprehensive farm nutrient management plan or a farm resources plan prepared pursuant to section 22a-354m.

(b) The Commissioner of Agriculture may reimburse any farmer for part of the cost associated with developing a farm resources management plan intended to restore farmland, provided such plan has been approved by the commissioner and such reimbursement does not exceed fifty per cent of the cost of such plan or twenty thousand dollars, whichever is less. Such plan may require agricultural restoration purposes, as defined in section 22-6d, as amended by this act.

Sec. 15. (*Effective from passage*) (a) For the purposes described in subsection (b) of this section, the State Bond Commission shall have

the power from time to time to authorize the issuance of bonds of the state in one or more series and in principal amounts not exceeding in the aggregate five million dollars.

(b) The proceeds of the sale of said bonds, to the extent of the amount stated in subsection (a) of this section, shall be used by the Department of Agriculture for the purpose of funding agricultural restoration purposes, as defined in section 22-6d of the general statutes, as amended by this act, and providing reimbursements as described in subsection (b) of section 22-6c of the general statutes, as amended by this act.

(c) All provisions of section 3-20 of the general statutes, or the exercise of any right or power granted thereby, which are not inconsistent with the provisions of this section are hereby adopted and shall apply to all bonds authorized by the State Bond Commission pursuant to this section, and temporary notes in anticipation of the money to be derived from the sale of any such bonds so authorized may be issued in accordance with said section 3-20 and from time to time renewed. Such bonds shall mature at such time or times not exceeding twenty years from their respective dates as may be provided in or pursuant to the resolution or resolutions of the State Bond Commission authorizing such bonds. None of said bonds shall be authorized except upon a finding by the State Bond Commission that there has been filed with it a request for such authorization which is signed by or on behalf of the Secretary of the Office of Policy and Management and states such terms and conditions as said commission, in its discretion, may require. Said bonds issued pursuant to this section shall be general obligations of the state and the full faith and credit of the state of Connecticut are pledged for the payment of the principal of and interest on said bonds as the same become due, and accordingly and as part of the contract of the state with the holders of said bonds, appropriation of all amounts necessary for punctual

payment of such principal and interest is hereby made, and the State Treasurer shall pay such principal and interest as the same become due.

Sec. 16. Section 30-37*l* of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) A wine festival permit shall allow the holder of a manufacturer permit for a farm winery, issued pursuant to section 30-16, to participate in a wine festival organized and sponsored by an association that promotes the manufacturing and selling of farm wine in this state or such association's not-for-profit subsidiary. Such association or such association's not-for-profit subsidiary shall not organize and sponsor more than **[**one**]** two such wine **[**festival**]** festivals in any calendar year. The Commissioner of Consumer Protection shall allow only **[**one**]** two such wine **[**festival**]** festivals in any calendar year, regardless of the number of such farm winery permittees or such organizing and sponsoring associations or not-for-profit subsidiaries participating in such wine **[**festival**]** festivals.

(b) A wine festival permit shall authorize: (1) The sale and shipment of wine manufactured by the farm winery permittee and sold at such wine festival to persons outside the state; (2) the offering and tasting of free samples of wine to visitors and prospective retail customers for consumption on the grounds of the wine festival; (3) the sale at retail of sealed bottles or other sealed containers of wine for consumption off the grounds of the wine festival; and (4) the sale at retail of wine by the glass or receptacle, provided the glass or receptacle is embossed or otherwise permanently labeled with the name and date of the wine festival.

(c) No farm winery permittee may sell, offer or give to any person or entity wine not manufactured by such farm winery.

(d) Only **[**one**]** two wine festival **[**permit**]** permits may be issued per calendar year pursuant to this section by the Commissioner of Consumer Protection to each holder of a manufacturer permit for a farm winery. A wine festival permit shall not be effective for more than three consecutive days per calendar year. The fee for a wine festival permit shall be seventy-five dollars.

Sec. 17. (NEW) (*Effective from passage*) Notwithstanding any provision of the general statutes, any municipality may, by ordinance, provide that any person, firm or corporation that owns a residence, building, structure, or other improvement to real property damaged or destroyed by acts of nature during the period beginning August 25, 2011, and ending September 14, 2011, shall be allowed to reconstruct or repair such residence, building, structure or improvement in accordance with any previously approved permit or other authorization for the construction or repair of such residence, building, structure or improvement to the dimensions and specifications for such residence, building, structure or improvement prior to said damage without seeking or obtaining additional approval from any municipal board or commission provided any such reconstructed or repaired residence, building, structure or other improvement complies with the state building, fire and health codes in effect as of the effective date of this section. Nothing in this section shall be construed to waive or eliminate the coastal site plan review requirements of chapter 444 of the general statutes, except that any ordinance enacted pursuant to this section may waive the coastal site plan review requirement for individual single-family residential structures, as provided in subdivision (4) of subsection (b) of section 22a-109 of the general statutes.

Sec. 18. Section 4 of public act 11-140 is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) For the purposes of this section, (1) "manufacturing reinvestment

account" means a trust created or organized by a manufacturer and held by a Connecticut bank for the benefit of such manufacturer, to which the manufacturer may make cash contributions not to exceed the amount set forth in subsection (c) of this section for any income year. Moneys in a manufacturing reinvestment account shall not be invested in life insurance contracts or comingled with other property, and (2) "manufacturer" means any business entity subject to tax pursuant to chapter 208 or 229 of the general statutes that is engaged in the business of manufacturing, as defined in subdivision (72) of section 12-81 of the general statutes.

(b) The Department of Economic and Community Development shall establish criteria and guidelines to select not more than **[**fifty**]** one hundred manufacturers that may establish a reinvestment account pursuant to subsection (c) of this section. Such criteria shall include, but not be limited to, a requirement that any such manufacturer shall have not more than fifty employees. The department shall, based on the criteria established pursuant to this subsection, establish an ongoing list of selected manufacturers.

(c) Any manufacturer may establish an interest-bearing manufacturing reinvestment account, provided (1) contributions in any income year shall not exceed the lesser of (A) fifty thousand dollars in income years commencing on or after January 1, 2011, and prior to January 1, 2012, or one hundred thousand dollars in income years commencing on or after January 1, 2012, or (B) such manufacturer's domestic gross receipts, (2) moneys may be held in such account for not more than five years, (3) distributions from such account shall be used by such manufacturer to purchase machinery, equipment or manufacturing facilities, as defined in subdivision (72) of section 12-81 of the general statutes, or for workforce training, development or expansion, and (4) disbursements shall be subject to tax at a rate of three and one-half per cent regardless of corporate or

business structure.

(d) Any money remaining in a manufacturer's reinvestment account at the end of the five-year period or any interest earned that results in the account balance exceeding the amounts established pursuant to subdivision (1) of subsection (c) in any given year shall be returned to the manufacturer who shall pay the full rate of tax on such amount under chapter 208 of the general statutes, provided such payment shall be deemed to be a timely payment if such tax is remitted to the Commissioner of Revenue Services not later than sixty days after the date of such return.

Sec. 19. (NEW) (*Effective January 1, 2012, and applicable to income or taxable years commencing on or after January 1, 2012*) (a) As used in this section:

(1) "Commissioner" means the Commissioner of Economic and Community Development;

(2) "Control", with respect to a corporation, means ownership, directly or indirectly, of stock possessing fifty per cent or more of the total combined voting power of all classes of the stock of such corporation entitled to vote. "Control", with respect to a trust, means ownership, directly or indirectly, of fifty per cent or more of the beneficial interest in the principal or income of such trust. The ownership of stock in a corporation, of a capital or profits interest in a partnership, limited liability company or association or of a beneficial interest in a trust shall be determined in accordance with the rules for constructive ownership of stock provided in Section 267(c) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, other than paragraph (3) of said Section 267(c);

(3) "Full-time job" means a job in which an employee is required to

work at least thirty-five hours per week for not less than forty-eight weeks in a calendar year. "Full-time job" does not include a temporary or seasonal job;

(4) "Income year" means, with respect to entities subject to the insurance premiums tax under chapter 207 of the general statutes, the corporation business tax under chapter 208 of the general statutes, the utilities company tax under chapter 212 of the general statutes or the income tax under chapter 229 of the general statutes, the income year as determined under each of said chapters, as the case may be;

(5) "New employee" means a person who resides in this state and is hired by a taxpayer on or after January 1, 2012, and prior to January 1, 2014, to fill a new job. "New employee" does not include a person who was employed in this state by a related person with respect to a taxpayer during the prior twelve months;

(6) "New job" means a job that did not exist in this state prior to a taxpayer's application to the commissioner for certification under this section for a job expansion tax credit, is filled by a new, qualifying or veteran employee, and (A) is a full-time job, or (B) in the case of a qualifying employee under subparagraph (B) of subdivision (7) of this subsection, is a job in which an employee is required to work at least twenty hours per week for not less than forty-eight weeks in a calendar year;

(7) "Qualifying employee" means a new employee who, at the time of hiring by the taxpayer:

(A) (i) Is receiving unemployment compensation, or (ii) has exhausted unemployment compensation benefits and has not had an intervening full-time job; or

(B) Is receiving vocational rehabilitation services from the Bureau of Rehabilitative Services;

(8) "Related person" means (A) a corporation, limited liability company, partnership, association or trust controlled by the taxpayer, (B) an individual, corporation, limited liability company, partnership, association or trust that is in control of the taxpayer, (C) a corporation, limited liability company, partnership, association or trust controlled by an individual, corporation, limited liability company, partnership, association or trust that is in control of the taxpayer, or (D) a member of the same controlled group as the taxpayer;

(9) "Taxpayer" means a person that (A) has been in business for at least twelve consecutive months prior to the date of the taxpayer's application to the commissioner for certification under this section for a job expansion tax credit, and (B) is subject to tax under chapter 207, 208, 212 or 229 of the general statutes; and

(10) "Veteran employee" means a new employee who, at the time of hiring by the taxpayer, is a member of, was honorably discharged from or released under honorable conditions from active service in the armed forces, as defined in section 27-103 of the general statutes.

(b) (1) There is established a job expansion tax credit program whereby a taxpayer may be allowed a credit against the tax imposed under chapter 207, 208, 212 or 229 of the general statutes, other than the liability imposed by section 12-707 of the general statutes, for each new, qualifying or veteran employee hired on or after January 1, 2012, and prior to January 1, 2014. For taxpayers that employ not more than fifty employees in full-time jobs in this state on the date of application to the commissioner for certification under this section, the creation of at least one new job in this state shall be required for said tax credit. For taxpayers that employ more than fifty, but not more than one hundred employees in full-time jobs in this state on the date of application to the commissioner for certification under this section, the creation of at least five new jobs in this state shall be required for said tax credit. For taxpayers that employ more than one hundred

employees in full-time jobs in this state on the date of application to the commissioner for certification under this section, the creation of at least ten new jobs in this state shall be required for said tax credit.

(2) For the purposes of determining the number of new jobs a taxpayer is required to create in order to claim a credit under this section, the number of employees working in full-time jobs the taxpayer employs in this state on the date of its application to the commissioner for certification under this section shall apply to such taxpayer for the duration of such certification.

(c) The amount of the credit shall be:

(1) Five hundred dollars per month for each new employee; or

(2) Nine hundred dollars per month for each qualifying or veteran employee.

(d) (1) The taxpayer shall claim the credit in the income year in which it is earned and, if eligible, in the two immediately succeeding income years. Any credit not claimed by the taxpayer in an income year shall expire and shall not be refundable.

(2) If the taxpayer is an S corporation or an entity treated as a partnership for federal income tax purposes, the shareholders or partners of such taxpayer may claim the credit. If the taxpayer is a single member limited liability company that is disregarded as an entity separate from its owner, the limited liability company's owner may claim the credit.

(3) No taxpayer shall claim a credit for any new, qualifying or veteran employee who is an owner, member or partner in the business or who is not employed by the taxpayer at the close of the taxpayer's income year.

(4) No taxpayer claiming the credit under this section with respect to a new, qualifying or veteran employee shall claim any credit against any tax under any other provision of the general statutes with respect to the same new, qualifying or veteran employee.

(e) (1) To be eligible to claim the credit, a taxpayer shall apply to the commissioner in accordance with the provisions of this section. The application shall be on a form provided by the commissioner and shall contain sufficient information as required by the commissioner, including, but not limited to, the activities that the taxpayer primarily engages in, the North American Industrial Classification System code of the taxpayer, the current number of employees employed by the taxpayer as of the application date, and if applicable, the name and position or job title of the new, qualifying or veteran employee. The commissioner shall consult with the Labor Commissioner, the director of the Bureau of Rehabilitative Services or the Commissioner of Veterans' Affairs, as applicable, for any verification the commissioner deems necessary of unemployment compensation or vocational rehabilitation services received by a qualifying employee, or of service in the armed forces of the United States by a veteran employee. The commissioner may impose a fee for such application as the commissioner deems appropriate.

(2) Upon receipt of an application, the commissioner shall render a decision, in writing, on each completed application not later than thirty days after the date of its receipt by the commissioner. If the commissioner approves such application, the commissioner shall issue a certification letter to the taxpayer indicating that the credit will be available to be claimed by the taxpayer if the taxpayer and new, qualifying or veteran employee otherwise meets the requirements of this section.

(f) (1) The total amount of credits granted under this section and sections 12-217ii, 12-217nn and 12-217oo of the general statutes, as

amended by this act, shall not exceed twenty million dollars in any one fiscal year.

(2) If a taxpayer was issued an eligibility certificate by the commissioner prior to January 1, 2012, to receive a jobs creation tax credit pursuant to section 12-217ii of the general statutes, as amended by this act, the provisions of the tax credit program pursuant to said section 12-217ii shall apply to such taxpayer for the duration of the eligibility certificate.

(3) If a taxpayer is issued a certification letter by the commissioner prior to January 1, 2013, to receive a qualified small business job creation tax credit pursuant to section 12-217nn of the general statutes, as amended by this act, the provisions of the tax credit program pursuant to said section 12-217nn shall apply to such taxpayer for the duration of such certification.

(4) If a taxpayer was issued a certification letter by the commissioner prior to January 1, 2012, to receive a vocational rehabilitation job creation tax credit pursuant to section 12-217oo of the general statutes, as amended by this act, the provisions of the tax credit program pursuant to said section 12-217oo shall apply to such taxpayer for the duration of such certification.

(g) No credit allowed under this section shall exceed the amount of tax imposed on a taxpayer under chapter 207, 208, 212 or 229 of the general statutes. The commissioner shall annually provide to the Commissioner of Revenue Services a list detailing all credits that have been approved and all taxpayers that have been issued a certification letter under this section.

(h) No credit shall be allowed under this section for any new jobs created on or after January 1, 2014.

Sec. 20. Subsections (e) to (g), inclusive, of section 12-217ii of the

general statutes, as amended by section 130 of public act 11-6 and section 3 of public act 11-86, are repealed and the following is substituted in lieu thereof (*Effective from passage*):

(e) (1) The commissioner, upon consideration of the application and any additional information the commissioner requires, may approve the credit application, in whole or in part, if the commissioner concludes that the increase in the number of jobs is economically viable only with the use of the tax credit and that the revenue generated due to economic development and employment opportunities created in the state exceeds the credit and any other credits to be taken. If the commissioner disapproves an application, the commissioner shall specifically identify the defects in the application and specifically explain the reasons for the disapproval. The commissioner shall render a decision on an application not later than ninety days after the date of its receipt by the commissioner.

(2) The total amount of credits granted to all taxpayers under section 19 of this act, this section and sections 12-217nn, as amended by public act 11-6 and this act, and 12-217oo, as amended by public act 11-6 and this act, shall not exceed twenty million dollars in any one fiscal year.

(3) (A) A credit under this section may be granted to a taxpayer for not more than five successive income years. No credit under this section shall be granted to a taxpayer more than five income years after the date the commissioner issues an eligibility certificate to the taxpayer under subsection (f) of this section.

(B) The commissioner shall not issue any eligibility certificates under this section on or after January 1, 2012.

(4) The commissioner may combine approval of a credit application with the exercise of any of the commissioner's other powers, including,

but not limited to, the provision of other forms of financial assistance.

(f) Upon approving a taxpayer's credit application, the commissioner shall issue a credit allocation notice certifying that the credits will be available to be claimed by the taxpayer if the taxpayer otherwise meets the requirements of this section. No later than thirty days after the close of the taxpayer's income year, the taxpayer shall provide information to the commissioner regarding the number of new jobs created for the year and the income tax deducted and withheld from the wages of such new employees and paid over to the state for such year. The commissioner shall issue **[**a**]** an eligibility certificate **[**of eligibility**]** that includes the taxpayer's name, the number of new jobs created, and the amount of the credit certified for the year. The certificate shall be issued by the commissioner not later than sixty days after the close of the taxpayer's income year or not later than thirty days after the information is provided, whichever comes first.

(g) The commissioner shall, upon request, provide a copy of the eligibility certificate **[**of eligibility**]** issued under subsection (f) of this section to the Commissioner of Revenue Services.

Sec. 21. Subsection (d) of section 12-217nn of the general statutes, as amended by section 131 of public act 11-6, is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(d) (1) Upon receipt of an application, the commissioner shall render a decision on the application, in writing, not later than thirty days after the date of its receipt by the commissioner. If the commissioner approves the application of the qualified small business, the commissioner shall issue a certification letter indicating that the tax credit will be available to be claimed by the qualified small business if the qualified small business otherwise meets the requirements of this section.

(2) The total amount of tax credits granted under section 19 of this act, this section and sections 12-217ii, as amended by public acts 11-6 and 11-86 and this act, and 12-217oo, as amended by public act 11-6 and this act, shall not exceed twenty million dollars in any one fiscal year.

(3) No qualified small business claiming the tax credit under this section with respect to a new employee may claim any credit against any tax under any other provision of the general statutes with respect to the same new employee.

Sec. 22. Section 12-217oo of the general statutes, as amended by section 132 of public act 11-6 and section 52 of public act 11-44, is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) As used in this section:

(1) "Commissioner" means the Commissioner of Economic and Community Development;

(2) "Employer" means a person engaged in business who has employees and who is subject to tax under this chapter or chapter 207 or 229;

(3) "Income year" means the income year or taxable year, as determined under this chapter or chapter 207 or 229, as the case may be;

(4) "New qualifying employee" means a person who (A) is receiving vocational rehabilitation services from the Bureau of Rehabilitative Services, and (B) is hired by the employer to fill a new job after May 6, 2010, during the employer's income years commencing on or after January 1, 2010, and prior to January 1, 2012. A new qualifying employee does not include a person receiving vocational rehabilitation

services pursuant to subparagraph (A) of this subdivision and who was employed in this state by a related person with respect to the employer during the prior twelve months;

(5) "Related person" means (A) a corporation, limited liability company, partnership, association or trust controlled by the employer, (B) an individual, corporation, limited liability company, partnership, association or trust that is in control of the employer, (C) a corporation, limited liability company, partnership, association or trust controlled by an individual, corporation, limited liability company, partnership, association or trust that is in control of the employer, or (D) a member of the same controlled group as the employer; and

(6) "Control", with respect to a corporation, means ownership, directly or indirectly, of stock possessing fifty per cent or more of the total combined voting power of all classes of the stock of such corporation entitled to vote. "Control", with respect to a trust, means ownership, directly or indirectly, of fifty per cent or more of the beneficial interest in the principal or income of such trust. The ownership of stock in a corporation, of a capital or profits interest in a partnership, limited liability company or association or of a beneficial interest in a trust shall be determined in accordance with the rules for constructive ownership of stock provided in Section 267(c) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time, other than paragraph (3) of said Section 267(c).

(b) (1) There is established a vocational rehabilitation job creation tax credit program for employers whereby an employer who hires a new qualifying employee who resides in this state and requires such employee to work at least twenty hours or more per week for not less than forty-eight weeks in a calendar year may be allowed a tax credit against the tax imposed under this chapter or chapter 207 or 229, other than the liability imposed by section 12-707.

(2) The tax credit shall be an amount equal to two hundred dollars per month for each new qualifying employee hired.

(3) No employer may claim a tax credit for any new qualifying employee who is an owner, member or partner in the business of the employer or who is not employed at the close of the income year of the employer.

(4) The employer shall claim the tax credit for the income year in which the employer hires a new qualifying employee and, if eligible, the two immediately succeeding income years. Any tax credit not used in an income year shall expire and shall not be refundable.

(c) To be eligible to claim the tax credit, an employer shall apply to the commissioner in accordance with the provisions of this section. The application shall be on a form provided by the commissioner and shall contain sufficient information as required by the commissioner, including the activities that the employer primarily engages in, the North American Industrial Classification System code of the employer and the name and position or job title of the new qualifying employee hired.

(d) (1) Upon receipt of an application, the commissioner shall render a decision on the application, in writing, not later than thirty days after the date of its receipt by the commissioner. If the commissioner approves the application of the employer, the commissioner shall issue a certification letter indicating that the tax credit will be available to be claimed by the employer if the employer otherwise meets the requirements of this section.

(2) The total amount of tax credits granted under section 19 of this act, this section and sections 12-217ii, as amended by public acts 11-6 and 11-86 and this act, and 12-217nn, as amended by public act 11-6 and this act, shall not exceed twenty million dollars in any one fiscal

year.

(3) No employer claiming the tax credit under this section, with respect to a new qualifying employee, may claim any credit against any tax under any other provision of the general statutes with respect to the same new qualifying employee.

(e) If the employer is an S corporation or an entity treated as a partnership for federal income tax purposes, the tax credit may be claimed by the shareholders or partners of the employer. If the employer is a single member limited liability company that is disregarded as an entity separate from its owner, the tax credit may be claimed by the limited liability company's owner.

(f) For an employer subject to the tax imposed under chapter 229, no credit allowed under this section shall exceed the amount of tax imposed by chapter 229. The commissioner shall annually provide to the Commissioner of Revenue Services a list detailing all tax credits that have been approved and all employers that have been issued a certification letter under subsection (d) of this section.

(g) No tax credit shall be allowed under this section for any new qualifying employee hired by an employer in any income year commencing on or after January 1, 2012.

Sec. 23. Subsection (b) of section 12-284b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(b) Each limited liability company, limited liability partnership, limited partnership and S corporation shall be liable for the tax imposed by this section for each taxable year or portion thereof that such company, partnership or corporation is an affected business entity. **[**Each**]** For taxable years commencing prior to January 1, 2013, each affected business entity shall annually, on or before the fifteenth

day of the fourth month following the close of its taxable year, pay to the Commissioner of Revenue Services a tax in the amount of two hundred fifty dollars. For taxable years commencing on or after January 1, 2013, each affected business entity shall, on or before the fifteenth day of the fourth month following the close of every other taxable year, pay to the Commissioner of Revenue Services a tax in the amount of two hundred fifty dollars.

Sec. 24. (*Effective from passage*) (a) The Department of Economic and Community Development, in consultation with the Department of Energy and Environmental Protection, shall identify, market and remediate five geographically diverse state-owned brownfields from the priority brownfield list established pursuant to subsection (b) of this section. Selection of brownfields shall be in accordance with the provisions of subsection (c) of this section.

(b) On or before January 1, 2012, the Department of Economic and Community Development shall develop a priority list of eligible brownfields based on criteria to include, but not be limited to, state-owned brownfields that (1) have economic development viability, (2) have a predetermined end use, (3) are located in a municipality with an unemployment rate that exceeds the state's average unemployment rate, (4) have access to transportation or other infrastructure, (5) are of an environmentally urgent nature, (6) the development of which would be consistent with the state plan of conservation and development, and (7) the transfer of which to a private party would not conflict with state law or process.

(c) The Department of Economic and Community Development shall solicit proposals from companies interested in purchasing any of the brownfields on the priority list developed pursuant to subsection (b) of this section. The Commissioner of Economic and Community Development (1) shall review proposals, match up to five of the brownfields with companies, and sell, notwithstanding chapter 59 of

the general statutes, prepermitted, cleaned sites to the selected companies, and (2) may remediate one of the brownfields on said priority list without identification of a specific commercial purchaser.

Sec. 25. (*Effective from passage*) (a) For the purposes described in subsection (b) of this section, the State Bond Commission shall have the power, from time to time to authorize the issuance of bonds of the state in one or more series and in principal amounts not exceeding in the aggregate twenty million dollars.

(b) The proceeds of the sale of said bonds, to the extent of the amount stated in subsection (a) of this section, shall be used by the Department of Economic and Community Development for the purpose of identifying, marketing and remediating five state-owned brownfields pursuant to section 24 of this act.

(c) All provisions of section 3-20 of the general statutes, or the exercise of any right or power granted thereby, which are not inconsistent with the provisions of this section are hereby adopted and shall apply to all bonds authorized by the State Bond Commission pursuant to this section, and temporary notes in anticipation of the money to be derived from the sale of any such bonds so authorized may be issued in accordance with said section 3-20 and from time to time renewed. Such bonds shall mature at such time or times not exceeding twenty years from their respective dates as may be provided in or pursuant to the resolution or resolutions of the State Bond Commission authorizing such bonds. None of said bonds shall be authorized except upon a finding by the State Bond Commission that there has been filed with it a request for such authorization which is signed by or on behalf of the Secretary of the Office of Policy and Management and states such terms and conditions as said commission, in its discretion, may require. Said bonds issued pursuant to this section shall be general obligations of the state and the full faith and credit of the state of Connecticut are pledged for the payment of the

principal of and interest on said bonds as the same become due, and accordingly and as part of the contract of the state with the holders of said bonds, appropriation of all amounts necessary for punctual payment of such principal and interest is hereby made, and the State Treasurer shall pay such principal and interest as the same become due.

Sec. 26. Subsection (b) of section 32-9cc of the general statutes, as amended by section 87 of public act 11-80, section 10 of public act 11-140 and section 1 of public act 11-141, is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(b) The office shall:

(1) Develop procedures and policies for streamlining the process for brownfield remediation and development;

(2) Identify existing and potential sources of funding for brownfield remediation and develop procedures for expediting the application for and release of such funds;

(3) Establish an office and maintain an informational Internet web site to provide assistance and information concerning the state's technical assistance, funding, regulatory and permitting programs;

(4) Provide a single point of contact for financial and technical assistance from the state and quasi-public agencies;

(5) Develop a common application to be used by all state and quasi-public entities providing financial assistance for brownfield assessment, remediation and development;

(6) Identify and prioritize state-wide brownfield development opportunities; **[**and**]**

(7) Develop and execute a communication and outreach program to

educate municipalities, economic development agencies, property owners and potential property owners and other organizations and individuals with regard to state programs for brownfield remediation and redevelopment;

(8) **[**May**]** At the office's discretion, enter into cooperative agreements with qualified implementing agencies and may, where appropriate, make grants to these organizations for the purpose of designing, implementing and supervising brownfield assessment and cleanups, or making further subgrants, provided each subgrant is in compliance with the terms and conditions of the original grant; and

(9) Create and maintain a web site independent of the department's other web sites that is specifically dedicated to marketing and promoting state-owned brownfields, and develop and implement a marketing campaign for such brownfields and web site.

Sec. 27. Subsection (a) of section 4b-23 of the general statutes, as amended by section 55 of public act 11-51, is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) As used in this section, "facility" means buildings and real property owned or leased by the state. The Secretary of the Office of Policy and Management shall establish guidelines which further define such term. All agencies and departments of the state shall notify the Secretary of the Office of Policy and Management of their facility needs including, but not limited to, the types of such facilities and the municipalities or general location for the facilities. Each agency and department shall continue long-range planning for facility needs, establish a plan for its long-range facility needs and submit such plan and related facility project requests to the Secretary of the Office of Policy and Management, and a copy thereof to the Commissioner of Administrative Services, on or before September first of each even-numbered year. Each such request shall be accompanied by a capital

development impact statement, as required by section 4-66b, and a colocation statement, as required by section 4b-31, if the secretary so requires. Each agency and department shall base its long-term planning for facility needs on a program plan. The secretary shall establish a content guide and schedule for such plans. Each agency and department shall prepare its program plan in accordance with such guide and file it with the secretary pursuant to such schedule. Facility plans shall include, but not be limited to: Identification of (1) long-term and short-term facility needs, (2) opportunities for the substitution of state-owned space for leased space, (3) facilities proposed for demolition or abandonment which have potential for other uses, **[**and**]** (4) space modifications or relocations that could result in cost or energy savings, and (5) facilities known to be brownfields. Each agency or department program plan and facility plan and its facility project requests shall cover a period of at least five years. The secretary shall provide agencies and departments with instructions for preparing program plans, long-term facility plans and facility project requests and shall provide appropriate programmatic planning assistance. The Commissioners of Administrative Services and Construction Services shall assist agencies and departments with long-term facilities planning and the preparation of cost estimates for such plans and requests. The Secretary of the Office of Policy and Management shall review such plans and prepare an integrated state facility plan which meets the aggregate facility needs of the state. The secretary shall review the cost effective retrofit measures recommended to him by the Commissioner of Construction Services under subsection (b) of section 16a-38a and include in the plan those measures which would best attain the energy performance standards established under subdivision (1) of subsection (b) of section 16a-38.

Sec. 28. (*Effective from passage*) (a) For the purposes described in subsection (b) of this section, the State Bond Commission shall have the power, from time to time to authorize the issuance of bonds of the

state in one or more series and in principal amounts not exceeding in the aggregate one million dollars.

(b) The proceeds of the sale of said bonds, to the extent of the amount stated in subsection (a) of this section, shall be used by the Department of Economic and Community Development to: (1) Establish an electronic business portal, (2) specifically brand such portal to reflect a state-wide branding program developed at the direction of the office of the Governor, (3) assist in enhancing state agency and quasi-public agency web sites that are linked to such electronic business portal, and (4) align the Connecticut Economic Resource Center Inc.'s online business assistance technology platform with such portal.

(c) All provisions of section 3-20 of the general statutes, or the exercise of any right or power granted thereby, which are not inconsistent with the provisions of this section are hereby adopted and shall apply to all bonds authorized by the State Bond Commission pursuant to this section, and temporary notes in anticipation of the money to be derived from the sale of any such bonds so authorized may be issued in accordance with said section 3-20 and from time to time renewed. Such bonds shall mature at such time or times not exceeding twenty years from their respective dates as may be provided in or pursuant to the resolution or resolutions of the State Bond Commission authorizing such bonds. None of said bonds shall be authorized except upon a finding by the State Bond Commission that there has been filed with it a request for such authorization which is signed by or on behalf of the Secretary of the Office of Policy and Management and states such terms and conditions as said commission, in its discretion, may require. Said bonds issued pursuant to this section shall be general obligations of the state and the full faith and credit of the state of Connecticut are pledged for the payment of the principal of and interest on said bonds as the same become due, and

accordingly and as part of the contract of the state with the holders of said bonds, appropriation of all amounts necessary for punctual payment of such principal and interest is hereby made, and the State Treasurer shall pay such principal and interest as the same become due.

Sec. 29. Subsection (b) of section 12-704d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(b) There shall be allowed a credit against the tax imposed under this chapter, other than the liability imposed by section 12-707, for a cash investment of not less than **[**one hundred**]** twenty-five thousand dollars in the qualified securities of a Connecticut business by an angel investor. The credit shall be in an amount equal to twenty-five per cent of such investor's cash investment, provided the total tax credits allowed to any angel investor shall not exceed two hundred fifty thousand dollars. The credit shall be claimed in the taxable year in which such cash investment is made by the angel investor and shall not be transferable.

Sec. 30. (*Effective from passage*) On or before January 1, 2012, the Labor Commissioner, in consultation with the Commissioner of Economic and Community Development and representatives from minority firms, regional community-technical colleges, the regional vocational-technical school system, organized labor and small manufacturing firms, shall review (1) the Labor Department's current training programs, and (2) the use of volunteers from the manufacturing industry for training in manufacturing skills at regional vocational-technical schools during hours other than those in the regular school day and at regional community-technical colleges, and submit a report, in accordance with the provisions of section 11-4a of the general statutes, to the Governor and the joint standing committees of the General Assembly having cognizance of matters relating to

higher education and employment advancement and labor, with its findings, including recommendations on how state resources can be reallocated to meet current training needs in the manufacturing industry in this state.

Sec. 31. (*Effective from passage*) (a) For the purposes described in subsection (b) of this section, the State Bond Commission shall have the power, from time to time to authorize the issuance of bonds of the state in one or more series and in principal amounts not exceeding in the aggregate two million two hundred thousand dollars, provided one million one hundred thousand dollars of said authorization shall be effective July 1, 2012.

(b) The proceeds of the sale of said bonds, to the extent of the amount stated in subsection (a) of this section, shall be used by the Board of Regents for Higher Education to expand the precision manufacturing program at Asnuntuck Community College.

(c) All provisions of section 3-20 of the general statutes, or the exercise of any right or power granted thereby, which are not inconsistent with the provisions of this section are hereby adopted and shall apply to all bonds authorized by the State Bond Commission pursuant to this section, and temporary notes in anticipation of the money to be derived from the sale of any such bonds so authorized may be issued in accordance with said section 3-20 and from time to time renewed. Such bonds shall mature at such time or times not exceeding twenty years from their respective dates as may be provided in or pursuant to the resolution or resolutions of the State Bond Commission authorizing such bonds. None of said bonds shall be authorized except upon a finding by the State Bond Commission that there has been filed with it a request for such authorization which is signed by or on behalf of the Secretary of the Office of Policy and Management and states such terms and conditions as said commission, in its discretion, may require. Said bonds issued pursuant to this

section shall be general obligations of the state and the full faith and credit of the state of Connecticut are pledged for the payment of the principal of and interest on said bonds as the same become due, and accordingly and as part of the contract of the state with the holders of said bonds, appropriation of all amounts necessary for punctual payment of such principal and interest is hereby made, and the State Treasurer shall pay such principal and interest as the same become due.

Sec. 32. (*Effective from passage*) (a) For the purposes described in subsection (b) of this section, the State Bond Commission shall have the power, from time to time to authorize the issuance of bonds of the state in one or more series and in principal amounts not exceeding in the aggregate seventeen million eight hundred thousand dollars, provided eight million nine hundred thousand dollars of said authorization shall be effective July 1, 2012.

(b) The proceeds of the sale of said bonds, to the extent of the amount stated in subsection (a) of this section, shall be used by the Board of Regents for Higher Education to establish or expand manufacturing technology programs in three regional community-technical colleges, provided such colleges demonstrate a commitment to precision manufacturing and an ability to establish or expand such programs through space and faculty.

(c) All provisions of section 3-20 of the general statutes, or the exercise of any right or power granted thereby, which are not inconsistent with the provisions of this section are hereby adopted and shall apply to all bonds authorized by the State Bond Commission pursuant to this section, and temporary notes in anticipation of the money to be derived from the sale of any such bonds so authorized may be issued in accordance with said section 3-20 and from time to time renewed. Such bonds shall mature at such time or times not exceeding twenty years from their respective dates as may be provided

in or pursuant to the resolution or resolutions of the State Bond Commission authorizing such bonds. None of said bonds shall be authorized except upon a finding by the State Bond Commission that there has been filed with it a request for such authorization which is signed by or on behalf of the Secretary of the Office of Policy and Management and states such terms and conditions as said commission, in its discretion, may require. Said bonds issued pursuant to this section shall be general obligations of the state and the full faith and credit of the state of Connecticut are pledged for the payment of the principal of and interest on said bonds as the same become due, and accordingly and as part of the contract of the state with the holders of said bonds, appropriation of all amounts necessary for punctual payment of such principal and interest is hereby made, and the State Treasurer shall pay such principal and interest as the same become due.

Sec. 33. Section 10-220d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

Each local and regional board of education shall provide full access to regional vocational-technical schools, regional agricultural science and technology education centers, interdistrict magnet schools, charter schools and interdistrict student attendance programs for the recruitment of students attending the schools under the board's jurisdiction, provided such recruitment is not for the purpose of interscholastic athletic competition.Each local and regional board of education shall inform students and parents of students in middle and high schools within such board's jurisdiction of the availability of (1) vocational, technical and technological education and training at regional vocational-technical schools, and (2) agricultural science and technology education at regional agricultural science and technology education centers.

Sec. 34. Section 10-95h of the general statutes, as amended by section

89 of public act 11-48, is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) Not later than November thirtieth each year, the joint standing committees of the General Assembly having cognizance of matters relating to education, higher education and employment advancement and labor shall meet with the superintendent of the regional vocational-technical school system, the Labor Commissioner, the Commissioner of Economic and Community Development and such other persons as they deem appropriate to consider the items submitted pursuant to subsection (b) of this section.

(b) On or before November fifteenth, annually:

(1) The Labor Commissioner shall submit the following to the joint standing committees of the General Assembly having cognizance of matters relating to education, higher education and employment advancement and labor: (A) Information identifying general economic trends in the state; (B) occupational information regarding the public and private sectors, such as continuous data on occupational movements; and (C) information identifying emerging regional, state and national workforce needs over the next thirty years.

(2) The superintendent of the vocational-technical school system shall submit the following to the joint standing committees of the General Assembly having cognizance of matters relating to education, higher education and employment advancement and labor: (A) Information ensuring that the curriculum of the regional vocational-technical school system is incorporating those workforce skills that will be needed for the next thirty years, as identified by the Labor Commissioner in subdivision (1) of this subsection, into the regional vocational-technical schools; (B) information regarding the employment status of students who graduate from the regional vocational-technical school system; (C) an assessment of the adequacy

of the resources available to the regional vocational-technical school system as the system develops and refines programs to meet existing and emerging workforce needs; and (D) recommendations to the State Board of Education to carry out the provisions of subparagraphs (A) to (C), inclusive, of this subdivision.

(3) The Commissioner of Economic and Community Development shall submit the following to the joint standing committees of the General Assembly having cognizance of matters relating to education, higher education and employment advancement and labor: (A) Information regarding the relationship between the Department of Economic and Community Development and the regional vocational-technical school system, (B) information regarding coordinated efforts of the department and the regional vocational-technical school system to collaborate with the business community, (C) information on workforce training needs identified by the department through its contact with businesses, (D) recommendations regarding how the department and the regional vocational-technical school system can coordinate or improve efforts to address the workforce training needs identified in subparagraph (C) of this subdivision, (E) information regarding the efforts of the department to utilize the regional vocational-technical school system in business assistance and economic development programs offered by the department, and (F) any additional information the commissioner deems relevant.

Sec. 35. Section 10-20a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) Local and regional boards of education, the regional vocational-technical school system, postsecondary institutions and regional educational service centers, may (1) in consultation with regional workforce development boards established pursuant to section 31-3k, local employers, labor organizations and community-based organizations establish career pathway programs leading to a

Connecticut career certificate in accordance with this section, and (2) enroll students in such programs based on entry criteria determined by the establishing agency. Such programs shall be approved by the Commissioner of Education and the Labor Commissioner. Applications for program approval shall be submitted to the Commissioner of Education in such form and at such time as the commissioner prescribes. All programs leading to a Connecticut career certificate shall provide equal access for all students and necessary accommodations and support for students with disabilities.

(b) Programs established pursuant to this section may be offered for one or more years and shall include:

(1) Not less than eighty hours during any year of school-based instruction which focuses on the academic, technical and employability skills outlined in the skill standards established pursuant to subsection (c) of this section, workplace safety awareness and instruction in the history of the American economy and the role of labor, business and industry;

(2) Work-based instruction which includes worksite experience, including all major activities related to the career cluster. Such worksite experience shall: (A) Be paid, except as provided in subsection (c) of section 10-20b, as amended by this act, (B) include a planned program of job training and work experiences, including training related to preemployment and employment skills to be mastered at progressively higher levels, that are coordinated with school-based instruction, (C) include instruction, to the extent practicable, in all aspects of the industry, (D) relate to the academic, technical and employability skills outlined in the skill standards established pursuant to subsection (c) of this section, (E) include, but not be limited to, on-the-job training, internships, community service and field trips, (F) be conducted in accordance with an individualized written training and mentoring plan, agreed to by the student, his

parent or guardian, if the student is under eighteen years of age, the principal of the school or the chief executive officer of the agency operating the program in which the student is enrolled, or the designee of such principal or chief executive officer, and the employer, and (G) be in conformance with the requirements of section 10-20d; and

(3) Activities that ensure coordination between school-based instruction and work-based instruction, including, but not limited to, (A) career awareness and exploration opportunities, and (B) information and guidance concerning transition to postsecondary education.

(c) For purposes of this section, "career cluster" means a range of occupations which share a set of skills and knowledge organized under the federal career clusters endorsed by the Office of Vocational and Adult Education under the United States Department of Education. Such skills and knowledge include (1) academic and technical skills related to the type of employment and (2) general employability skills. The Commissioner of Education, in consultation with other state, regional and local agencies, business and industry and labor organizations, shall maintain a list of federally recognized career clusters and skill standards for each such career cluster, along with the projected occupation growth area clusters within the state identified by labor market projections provided by the Labor Department.

Sec. 36. Section 10-20b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) Except for the provisions of chapter 567, all state and federal laws and regulations relating to employment, apprenticeship and occupational licensing shall apply to students in a program leading to a Connecticut career certificate pursuant to section 10-20a, as amended

by this act. Employers found to be in violation of a federal or state labor law may be prohibited from participation in the program.

(b) Students participating in such programs shall not: (1) Replace any employee or cause any reduction in hours of work, wages or employment benefits of any employee of an employer participating in the program or (2) be employed in a job from which an employee of a participating employer has been laid off and for which he retains recall rights. No employer shall terminate the employment of any of its employees or otherwise reduce its workforce or work hours in order to fill a vacancy so created with a student participating in the program. The participation of any employer who is a party to one or more collective bargaining agreements covering work to be performed by a student participating in the program shall be conditioned on the written concurrence of each labor organization that is a party to such an agreement.

(c) The employment of students in programs established pursuant to section 10-20a, as amended by this act, shall be in compliance with sections 31-23 and 31-58 and shall be paid employment, unless the Labor Commissioner, or the commissioner's designee, in consultation with the Commissioner of Education, or the commissioner's designee, receives and approves a written request from the principal of the school or the chief executive officer of the agency operating the program in which the student is enrolled, or the designee of such principal or chief executive officer, that such employment not be paid because such employment (1) includes **[**of**]** worksite experiences that are generally not paid employment, such as community service activities or field trips, or (2) is an internship. The terms of compensation shall be **[**(1)**]** (A) negotiated between the employer and such principal or chief executive officer, or the designee of such principal or chief executive officer, **[**(2)**]** (B) accepted by the student, **[**(3)**]** (C) based on the nature of the work and the status of the student-

worker as a student, **[**(4)**]** (D) reasonable for the actual work performed, and **[**(5)**]** (E) in compliance with the provisions of title 31 concerning the employment of minors.

Sec. 37. (*Effective from passage*) The Office of Legislative Management shall contract with the Connecticut Academy of Science and Engineering to study, in consultation with the Department of Economic and Community Development, Labor Department and Board of Regents for Higher Education, strategies for evaluating the effectiveness of programs and resources for assuring the state's skilled workforce meets the current and future needs of business and industry and report the findings of such study, in accordance with the provisions of section 11-4a of the general statutes, to the joint standing committees of the General Assembly having cognizance of matters relating to higher education and employment advancement, commerce, education and labor on or before January 1, 2013.

Sec. 38. Section 1 of public act 11-86 is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) (1) The Department of Economic and Community Development shall establish a first five plus program to encourage business expansion and job creation. As part of said program, the department may provide substantial financial assistance to up to **[**five**]** ten eligible business development projects in **[**each of**]** the fiscal **[**years**]** year ending June 30, 2012, and up to five eligible business development projects in the fiscal year ending June 30, 2013.

(2) A business development project eligible for financial assistance under the first five plus program shall commit, in the manner prescribed by the Commissioner of Economic and Community Development, to (A) create not less than two hundred new jobs within twenty-four months from the date such application is approved; or (B) invest not less than twenty-five million dollars and create not less than

two hundred new jobs within five years from the date such application is approved.

(3) The Commissioner of Economic and Community Development may give preference to a business development project that (A) involves the relocation of an out-of-state or international manufacturer or corporate headquarters, or (B) is a redevelopment project if the commissioner believes such redevelopment project will create jobs sooner than the schedule set forth in subdivision (2) of this **[**section**]** subsection.

(4) The Commissioner of Economic and Community Development may, in awarding financial assistance to an eligible business development project, work with the Connecticut Development Authority and Connecticut Innovations, Incorporated, to secure financing for such project.

(5) The Commissioner of Economic and Community Development shall certify to the Governor for his or her approval that a business development project applicant has satisfied all the eligibility criteria in the program. Financial assistance awarded through the first five plus program shall be with the written consent of the Governor.

(b) Financial assistance for the first five plus program for eligible business development projects shall be exempt from the provisions of subsection (c) of section 32-223 of the general statutes, section 32-462 of the general statutes, subsection (q) of section 32-9t of the general statutes and, at the commissioner's discretion, section 12-211a of the general statutes, as amended by this act, for the fiscal years ending June 30, 2012, and June 30, 2013.

(c) The commissioner may take such action as the commissioner deems necessary or appropriate to enforce such commitment, including, but not limited to, establishing terms and conditions for the

repayment of any financial assistance awarded pursuant to the provisions of this section.

(d) On or before January 1, 2012, on or before September 1, 2012, on or before January 1, 2013, and on or before September 1, 2013, the Commissioner of Economic and Community Development shall report in accordance with the provisions of section 11-4a of the general statutes to the joint standing committees of the General Assembly having cognizance of matters relating to commerce and finance, revenue and bonding on the projects funded through the first five plus program, the number of jobs created and the impact on the economy of this state.

Sec. 39. (NEW) (*Effective from passage*) On or before October 1, 2012, and annually thereafter, the Connecticut Airport Authority shall report in accordance with the provisions of section 11-4a of the general statutes to the Commissioner of Economic and Community Development on airport development zones established pursuant to section 32-75d of the general statutes, as amended by this act. Such report shall include, but not be limited to, (1) information regarding traffic in and around such airports, impact of each zone on airport usage, and impact of each zone on employment within the airport and businesses located at the airport, (2) recommendations for any needed changes to an existing zone, and (3) recommendations for the establishment of any additional zones.

Sec. 40. Section 32-75d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) There is established an airport development zone, which is comprised of the following census blocks as assigned on October 1, 2011, in the towns of Windsor Locks, Suffield, East Granby and Windsor:

090034701001022, 090034701003000, 090034701003001, 090034701003002, 090034701003003, 090034701003004, 090034701003005, 090034701003017, 090034701003018, 090034701003019, 090034701003020, 090034701003021, 090034701003025, 090034701003026, 090034735022009, 090034735022010, 090034735022011, 090034735022012, 090034735022013, 090034735025004, 090034735027000, 090034735029000, 090034735029001, 090034735029002, 090034735029003, 090034735029004, 090034735029006, 090034761009000, 090034761009010, 090034761009011, 090034761009012, 090034761009013, 090034762001023, 090034762001025, 090034762002009, 090034762002013, 090034763003004, 090034763009000, 090034763009001, 090034763009002, 090034763009003, 090034763009004, 090034763009005, 090034763009006, 090034763009007, 090034763009008, 090034763009009, 090034763009010, 090034763009011, 090034763009012, 090034763009013, 090034763009014, 090034763009015, 090034763009016, 090034763009017, 090034763009018, 090034763009020, 090034763009021, 090034763009022, 090034763009023, 090034763009024, 090034763009025, 090034763009026, 090034763009031, 090034763009033, 090034771014005, 090034771014011, 090034771014012, 090034771014013, 090034771014014, 090034771014017, 090034771014018, 090034771014019, 090034771014020, 090034771023025, 090034771023026, 090034771023027, 090034771023036, 090034701003006, 090034701003022, 090034701003023, 090034701005000, 090034761001039, 090034763009028.

(b) Notwithstanding subsection (a) of this section, the Connecticut Airport Authority may establish additional airport development zones surrounding any of the general aviation airports, as defined in section 1 of public act 11-84, or any other airport within the duty, power and authority of the authority, as defined in section 3 of public act 11-84, upon receipt from the Commissioner of Economic and Community Development of a proposal recommending the establishment of such a zone.

(1) The commissioner shall submit any such proposal to the

authority if the commissioner determines that the economic development benefits of establishing a new airport development zone outweigh the anticipated costs to the state and the affected municipalities. Any such proposal shall comply with the state plan of conservation and development adopted pursuant to chapter 297.

(2) A proposal submitted by the commissioner shall include, but not be limited to, an identification of:

(A) The geographical scope of such proposed zone, including designation of all census blocks that the commissioner proposes incorporating into such zone, provided (i) each zone shall be in accordance with the applicable general aviation airport or other airport's master plan, and (ii) no zone shall extend beyond a two-mile radius of the applicable general aviation airport or other airport without approval of the General Assembly;

(B) The economic development benefits anticipated from the establishment of such zone, including the nature of business and industry that will be developed and the anticipated number of jobs created; and

(C) The anticipated costs of establishing such zone.

(3) The authority may modify the geographic scope of the proposed zone to improve, within the authority's discretion, the balance between the anticipated economic benefit and the cost to the state and affected municipalities.

(4) The authority may approve the establishment of a new airport development zone upon a majority vote of a quorum of the members. Within five days of such approval, the authority shall submit a report to the commissioner identifying all census blocks comprising such approved zone. The zone shall be deemed established upon the approval of the authority.

(5) An airport development zone established pursuant to this subsection shall not include the land on which any general aviation airport or other airport operates, including any state-owned or controlled land.

Sec. 41. Subparagraph (c) of subdivision (59) of section 12-81 of the general statutes, as amended by section 2 of public act 10-98 and section 26 of public act 11-140, is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(c) The completion date of a manufacturing facility, manufacturing plant or a service facility will be determined by the Department of Economic and Community Development taking into account the issuance of occupancy certificates and such other factors as it deems relevant. In the case of a manufacturing facility, manufacturing plant or a service facility which consists of a constructed, renovated or expanded portion of an existing plant, the assessed valuation of the facility or manufacturing plant is the difference between the assessed valuation of the plant prior to its being improved and the assessed valuation of the plant upon completion of the improvements. In the case of a manufacturing facility, manufacturing plant or a service facility which consists of an acquired portion of an existing plant, the assessed valuation of the facility or manufacturing plant is the assessed valuation of the portion acquired. This exemption shall be applicable during each such assessment year regardless of any change in the ownership or occupancy of the facility or manufacturing plant. If during any such assessment year, however, any facility for which an eligibility certificate has been issued ceases to qualify as a manufacturing facility, manufacturing plant or a service facility, the entitlement to the exemption allowed by this subdivision shall terminate for the assessment year following the date on which the qualification ceases, and there shall not be a pro rata application of the exemption. Any person who desires to claim the exemption provided

in this subdivision shall file annually with the assessor or board of assessors in the distressed municipality, targeted investment community, enterprise zone designated pursuant to section 32-70 or in **[**the**]** a town within **[**the**]** an airport development zone established pursuant to section 32-75d, as amended by this act, in which the manufacturing facility or service facility is located, on or before the first day of November, written application claiming such exemption on a form prescribed by the Secretary of the Office of Policy and Management. Failure to file such application in this manner and form within the time limit prescribed shall constitute a waiver of the right to such exemption for such assessment year, unless an extension of time is allowed pursuant to section 12-81k, and upon payment of the required fee for late filing;

Sec. 42. Subparagraph (c) of subdivision (60) of section 12-81 of the general statutes, as amended by section 3 of public act 10-98, is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(c) This exemption shall terminate for the assessment year next following if the manufacturing facility or service facility in which such machinery and equipment is installed no longer qualifies for an exemption under said subdivision (59), and there shall not be a pro rata application of the exemption of such machinery and equipment in the assessment year of such termination. Any person who desires to claim the exemption provided in this subdivision shall file annually with the assessor or board of assessors in the distressed municipality, targeted investment community, enterprise zone designated pursuant to section 32-70 or **[**the**]** a town in **[**the**]** an airport development zone established pursuant to section 32-75d, as amended by this act, in which the manufacturing facility or service facility is located, on or before the first day of November, written application claiming such exemption on a form prescribed by the Secretary of the Office of Policy

and Management. Failure to file such application in this manner and form within the time limit prescribed shall constitute a waiver of the right to such exemption for such assessment year, unless an extension of time is allowed pursuant to section 12-81k, and upon payment of the required fee for late filing. This exemption shall not apply to rolling stock.

Sec. 43. Subsection (d) of section 32-9p of the general statutes, as amended by section 5 of public act 10-98 and section 17 of public act 11-140, is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(d) "Manufacturing facility" means any plant, building, other real property improvement, or part thereof, (1) which (A) is constructed or substantially renovated or expanded on or after July 1, 1978, in a distressed municipality, a targeted investment community as defined in section 32-222, an enterprise zone designated pursuant to section 32-70 or **[**the**]** an airport development zone established pursuant to section 32-75d, as amended by this act, or (B) is acquired on or after July 1, 1978, in a distressed municipality, a targeted investment community as defined in section 32-222, an enterprise zone designated pursuant to said section 32-70 or **[**the**]** an airport development zone established pursuant to section 32-75d, as amended by this act, by a business organization which is unrelated to and unaffiliated with the seller, after having been idle for at least one year prior to its acquisition and regardless of its previous use; (2) which is to be used for the manufacturing, processing or assembling of raw materials, parts or manufactured products, for research and development facilities directly related to manufacturing, for the significant servicing, overhauling or rebuilding of machinery and equipment for industrial use, or, except as provided in this subsection, for warehousing and distribution or, (A) if located in an enterprise zone designated pursuant to said section 32-70, which is to be used by an establishment,

an auxiliary or an operating unit of an establishment, which is an economic base business as defined in subsection (d) of section 32-222 or has a North American Industrial Classification code of 114111 through 114210, 311111 through 339999, 482111 through 484230, 488310, 488320, 488991, 493120, 493130, 493190, 511210, 512110, 512120, 512191, 522210, 522293, 522294, 522298, 522310, 522320, 522390, 523110, 523120, 523130, 523140, 523210, 523910, 524113, 524114, 524126, 524127, 524128, 524130, 524292, 541711, 541712, 551111, 551112, 551114, 561422, 611310, 611410, 611420, 611430, 611513, 611519, 611710 or 624410 or any business that is part of an economic cluster, as defined in subsection (e) of section 32-222, or any establishment or auxiliary or operating unit thereof, as defined in the North American Industrial Classification System Manual, or (B) if located in an enterprise zone designated pursuant to said section 32-70, which is to be used by an establishment primarily engaged in supplying goods or services in the fields of computer hardware or software, computer networking, telecommunications or communications, or (C) if located in a municipality with an entertainment district designated under section 32-76 or established under section 2 of public act 93-311, is to be used in the production of entertainment products, including multimedia products, or as part of the airing, display or provision of live entertainment for stage or broadcast, including support services such as set manufacturers, scenery makers, sound and video equipment providers and manufacturers, stage and screen writers, providers of capital for the entertainment industry and agents for talent, writers, producers and music properties and technological infrastructure support including, but not limited to, fiber optics, necessary to support multimedia and other entertainment formats, except entertainment provided by or shown at a gambling or gaming facility or a facility whose primary business is the sale or serving of alcoholic beverages, or (D) if located in **[**the**]** an airport development zone established pursuant to section 32-75d, as amended by this act, (i) which, for the Bradley Airport development zone, is to be used for the warehousing

or motor freight distribution of goods transported by aircraft to or from an airport located in such zone, or (ii) in the opinion of the Connecticut Airport Authority, in consultation with the Commissioner of Economic and Community Development, **[**is**]** may be dependent upon or directly related to such airport and which, except as provided in this subparagraph, is to be used for any other business service, **[**including, but not limited to, information technology but**]** excluding any service provided by an organization that has a North American Industrial Classification Code of 237130, 441110 to 454390, inclusive, 532111, 532112 or 812930; and (3) for which the department or authority, as applicable, has issued an eligibility certificate in accordance with section 32-9r, as amended by public act 11-140 and this act. In the case of facilities which are acquired, the department or the Connecticut Airport Authority, as applicable, may waive the requirement of one year of idleness if it determines that, absent qualification as a manufacturing facility under subdivisions (59) and (60) of section 12-81, as amended by public act 11-140 and this act, and sections 12-217e, 32-9p to 32-9s, inclusive, as amended by public act 11-140 and this act, and 32-23p, there is a high likelihood that the facility will remain idle for one year. In the case of facilities located in an enterprise zone designated pursuant to said section 32-70, (A) the idleness requirement in subparagraph (B) of subdivision (1) of this subsection, for business organizations which over the six months preceding such acquisition have had an average total employment of between six and nineteen employees, inclusive, shall be reduced to a minimum of six months, and (B) the idleness requirement shall not apply to business organizations with an average total employment of five or fewer employees, provided no more than one eligibility certificate shall be issued under this subparagraph for the same facility within a three-year period. Of those facilities which are for warehousing and distribution, only those which are newly constructed or which represent an expansion of an existing facility qualify as manufacturing facilities. In the event that only a portion of a plant is

acquired, constructed, renovated or expanded, only the portion acquired, constructed, renovated or expanded constitutes the manufacturing facility. A manufacturing facility which is leased may for the purposes of subdivisions (59) and (60) of section 12-81, as amended by public act 11-140 and this act, and sections 12-217e, 32-9p to 32-9s, inclusive, as amended by public act 11-140 and this act, and 32-23p, be treated in the same manner as a facility which is acquired if the provisions of the lease serve to further the purposes of subdivisions (59) and (60) of section 12-81, as amended by public act 11-140 and this act, and sections 12-217e, 32-9p to 32-9s, inclusive, as amended by public act 11-140 and this act, and 32-23p and demonstrate a substantial, long-term commitment by the occupant to use the manufacturing facility, including a contract for lease for an initial minimum term of five years with provisions for the extension of the lease at the request of the lessee for an aggregate term which shall not be less than ten years, or the right of the lessee to purchase the facility at any time after the initial five-year term, or both. For a facility located in an enterprise zone designated pursuant to said section 32-70, and occupied by a business organization with an average total employment of ten or fewer employees over the six-month period preceding acquisition, such contract for lease may be for an initial minimum term of three years with provisions for the extension of the lease at the request of the lessee for an aggregate term which shall not be less than six years, or the right of the lessee to purchase the facility at any time after the initial three-year term, or both, and may also include the right for the lessee to relocate to other space within the same enterprise zone, provided such space is under the same ownership or control as the originally leased space or if such space is not under such same ownership or control as the originally leased space, permission to relocate is granted by the lessor of such originally leased space, and such relocation shall not extend the duration of benefits granted under the original eligibility certificate. Except as provided in subparagraph (B) of subdivision (1) of this subsection, a

manufacturing facility does not include any plant, building, other real property improvement or part thereof used or usable for such purposes which existed before July 1, 1978.

Sec. 44. Section 32-9r of the general statutes, as amended by section 6 of public act 10-98 and section 18 of public act 11-140, is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) Any person may apply to the department for a determination as to whether the facility described in an application qualifies as a manufacturing facility or service facility. The department shall forward immediately any application concerning a facility located within an airport development zone established pursuant to section 32-75d, as amended by this act, including an economic impact statement, to the Connecticut Airport Authority. Applications for eligibility certificates are to be made on the forms and in the manner prescribed by the department. In evaluating each application the department may require the submission of all books, records, documents, drawings, specifications, certifications and other evidentiary items which it deems appropriate. No eligibility certificate shall be issued after March 1, 1991, for a manufacturing facility located in a distressed municipality which does not qualify as a targeted investment community unless the department has issued to the applicant a commitment letter for such facility prior to March 1, 1991. Notwithstanding the provisions of this subsection, an eligibility certificate may be issued by the department after March 1, 1991, for a qualified manufacturing facility acquired, constructed or substantially renovated in a distressed municipality provided the commissioner determines that such acquisition, construction or substantial renovation was initiated prior to March 1, 1991, and was legitimately induced by the prospect of assistance under section 12-217e and subdivisions (59) and (60) of section 12-81, as amended by this act, respectively. The department may issue an eligibility certificate for a

qualified manufacturing facility or a qualified service facility located in a targeted investment community upon determination by the commissioner (A) that the acquisition, construction or substantial renovation relating to the qualified manufacturing facility or qualified service facility in such community was induced by the prospect of assistance under section 12-217e and subdivisions (59) and (60) of **[**said**]** section 12-81, as amended by this act; and (B) the applicant demonstrates an economic need or there is an economic benefit to the state. Notwithstanding the provisions of this subsection, on and after the effective date of this section, the Connecticut Airport Authority shall issue an eligibility certificate **[**shall be issued by the department after October 1, 2010,**]** for a qualified manufacturing facility located in **[**the**]** an airport development zone established pursuant to section 32-75d, as amended by this act, and may **[**be issued by the department after October 1, 2010,**]** issue an eligibility certificate for a facility described in subparagraph (D) of subdivision (2) of subsection (d) of section 32-9p, as amended by this act, upon determination by the **[**commissioner**]** authority (i) that the acquisition, construction or substantial renovation relating to the qualified manufacturing facility or facility described in said subparagraph (D) in the airport development zone was induced by the prospect of assistance under section 12-217e and subdivisions (59) and (60) of **[**said**]** section 12-81, as amended by this act; **[**and**]** (ii) the applicant demonstrates an economic need and there is an economic benefit to the state without causing an economic detriment to or conflict with an existing zone; and (iii) that the applicant serves an airport-related function or relies substantially on airport services. The department shall issue an eligibility certificate if the commissioner determines (1) that the manufacturing facility is located in an enterprise zone designated pursuant to section 32-70 and is a qualified manufacturing facility, or (2) that the facility is a plant, building, other real property improvement, or part thereof, which is located in a municipality with an entertainment district designated under section 32-76 or established under section 2 of public act 93-311,

and which qualifies as a "manufacturing facility" under subsection (d) of section 32-9p, as amended by this act, in that it is to be used in the production of entertainment products, including multimedia products, or as part of the airing, display or provision of live entertainment for stage or broadcast, including support services such as set manufacturers, scenery makers, sound and video equipment providers and manufacturers, stage and screen writers, providers of capital for the entertainment industry and agents for talent, writers, producers and music properties and technological infrastructure support including, but not limited to, fiber optics, necessary to support multimedia and other entertainment formats, except entertainment provided by or shown at a gambling or gaming facility or a facility whose primary business is the sale or serving of alcoholic beverages.

(b) The department shall reach a determination as to the eligibility of a facility within a reasonable time period, but may postpone the determination to the extent required to verify to its satisfaction that there is a high likelihood that any proposed facility will actually be constructed, expanded, substantially renovated or acquired. Upon a favorable finding, the department shall issue to the applicant a certificate to the effect that the facility concerned is a manufacturing facility or a service facility and is eligible for assistance under section 12-217e and subdivisions (59) and (60) of section 12-81, as amended by this act.

(c) **[**Upon**]** Except as specified in subsection (d) of this section, upon an unfavorable determination the department shall issue a notice to the applicant to the effect that the facility concerned has been determined not to be a manufacturing facility or a service facility, together with a statement in reasonable detail as to the reasons for the unfavorable determination. Any aggrieved applicant shall be afforded an opportunity for a public hearing on the matter within thirty days following issuance of the notice. The department shall reconsider the

application based upon the information presented at the public hearing and reaffirm or change its earlier determination within ten days of the hearing.

(d) Upon an unfavorable determination regarding an application concerning an airport development zone, the Connecticut Airport Authority shall issue a notice to the applicant to the effect that the facility concerned has been determined not to be a manufacturing facility or a service facility, together with a statement in reasonable detail as to the reasons for the unfavorable determination. Any aggrieved applicant shall be afforded an opportunity for a public hearing on the matter within thirty days following issuance of the notice. The authority shall reconsider the application based upon the information presented at the public hearing and reaffirm or change its earlier determination within ten days of the hearing.

**[**(d)**]** (e) The decision of the department rendered pursuant to subsection (c) of this section or of the authority rendered pursuant to subsection (d) of this subsection, as the case may be, to issue an eligibility certificate or to deny an application for the issuance of an eligibility certificate either upon the expiration of thirty days without a public hearing following an initial unfavorable determination or upon any reconsideration of the application pursuant to subsection (c) or (d) of this section is conclusive and final as to the matters thereby decided, and chapter 54 shall not apply to the administrative determinations authorized to be made by this section.

**[**(e)**]** (f) Any person who claims a benefit under section 12-217e or subdivisions (59) and (60) of section 12-81, as amended by this act, shall notify the department of any change in fact or circumstance which may bear upon the continued qualification as a manufacturing facility or a service facility for which an eligibility certificate has been issued. Upon receipt of such information or upon independent investigation, the department may revoke the eligibility certificate in

the manner provided in subsection (c) of this section.

**[**(f)**]** (g) The commissioner shall adopt regulations, in accordance with chapter 54, to carry out the provisions of this section. Such regulations shall provide that establishments in the category of business support services, as defined in subsection (b) of section 32-222, or manufacturing facilities, as defined in subsection (d) of section 32-9p, as amended by sections 16 and 17 of public act 11-140 and this act, may be eligible for a certificate if they are located in an enterprise zone.

Sec. 45. Section 32-9s of the general statutes, as amended by section 7 of public act 10-98, is repealed and the following is substituted in lieu thereof (*Effective from passage*):

The state shall make an annual grant payment to each municipality, to each district, as defined in section 7-325, which is located in a distressed municipality, targeted investment community, enterprise zone or municipality within **[**the**]** an airport development zone established pursuant to section 32-75d, as amended by this act, and to each special services district created pursuant to chapter 105a which is located in a distressed municipality, targeted investment community or enterprise zone in the amount of fifty per cent of the amount of that tax revenue which the municipality or district would have received except for the provisions of subdivisions (59) and (60) of section 12-81, as amended by this act, or subdivision (70) of **[**said**]** section 12-81. On or before the first day of August of each year, each municipality and district shall file a claim with the Secretary of the Office of Policy and Management for the amount of such grant payment to which such municipality or district is entitled under this section. The claim shall be made on forms prescribed by the secretary and shall be accompanied by such supporting information as the secretary may require. Any municipality or district which neglects to transmit to the secretary such claim and supporting documentation as required by this section shall

forfeit two hundred fifty dollars to the state, provided the secretary may waive such forfeiture in accordance with procedures and standards adopted by regulation in accordance with chapter 54. The secretary shall review each such claim as provided in section 12-120b. Any claimant aggrieved by the results of the secretary's review shall have the rights of appeal as set forth in section 12-120b. The secretary shall, on or before the December fifteenth next succeeding the deadline for the receipt of such claims, certify to the Comptroller the amount due under this section, including any modification of such claim made prior to December fifteenth, to each municipality or district which has made a claim under the provisions of this section. The Comptroller shall draw an order on the Treasurer on or before the fifth business day following December fifteenth, and the Treasurer shall pay the amount thereof to each such municipality or district on or before the following December thirty-first. If any modification is made as the result of the provisions of this section on or after the December first following the date on which the municipality or district has provided the amount of tax revenue in question, any adjustment to the amount due to any municipality or district for the period for which such modification was made shall be made in the next payment the Treasurer shall make to such municipality or district pursuant to this section. In the fiscal year commencing July 1, 2003, and in each fiscal year thereafter, the amount of the grant payable to each municipality and district in accordance with this section shall be reduced proportionately in the event that the total amount of the grants payable to all municipalities and districts exceeds the amount appropriated.

Sec. 46. (*Effective from passage*) (a) The State Bond Commission shall have power, in accordance with the provisions of this section, from time to time to authorize the issuance of special tax obligation bonds of the state in one or more series and in principal amounts in the aggregate, not exceeding fifty million dollars.

(b) The proceeds of the sale of said bonds to the extent hereinafter stated, shall be used for the purpose of payment of the transportation costs, as defined in subdivision (6) of section 13b-75 of the general statutes, with respect to the projects and uses hereinafter described, which projects and uses are hereby found and determined to be in furtherance of one or more of the authorized purposes for the issuance of special tax obligation bonds set forth in section 13b-74 of the general statutes. Any proceeds from the sale of said bonds shall be used by the Department of Transportation for the fix-it-first program to repair the state's bridges.

(c) None of said bonds shall be authorized except upon a finding by the State Bond Commission that there has been filed with it (1) a request for such authorization, which is signed by the Secretary of the Office of Policy and Management or by or on behalf of such state officer, department or agency and stating such terms and conditions as said commission, in its discretion, may require, and (2) any capital development impact statement and any human services facility colocation statement required to be filed with the Secretary of the Office of Policy and Management pursuant to section 4b-23 of the general statutes, as amended by this act, any advisory report regarding the state conservation and development policies plan required pursuant to section 16a-31 of the general statutes, and any statement regarding farm land required pursuant to subsection (g) of section 3-20 of the general statutes and section 22-6 of the general statutes, provided the State Bond Commission may authorize said bonds without a finding that the reports and statements required by this subdivision have been filed with it if said commission authorizes the secretary of said commission to accept such reports and statements on its behalf. No funds derived from the sale of bonds authorized by said commission without a finding that the reports and statements required by this subdivision have been filed with it shall be allotted by the Governor for any project until the reports and statements required by

this subdivision, with respect to such project, have been filed with the secretary of said commission.

(d) For the purposes of this section, each request filed as provided in this section for an authorization of bonds shall identify the project for which the proceeds of the sale of such bonds are to be used and expended and, in addition to any terms and conditions required pursuant to this section, include the recommendation of the person signing such request as to the extent to which federal, private or other moneys then available or thereafter to be made available for costs in connection with any such project should be added to the state moneys available or becoming available from the proceeds of bonds and temporary notes issued in anticipation of the receipt of the proceeds of bonds. If the request includes a recommendation that some amount of such federal, private or other moneys should be added to such state moneys, then, if and to the extent directed by the State Bond Commission at the time of authorization of such bonds, said amount of such federal, private or other moneys then available or thereafter to be made available for costs in connection with such project shall be added to such state moneys.

(e) Any balance of proceeds of the sale of said bonds authorized for the projects or purposes of this section, in excess of the aggregate costs of all the projects so authorized, shall be used in the manner set forth in sections 13b-74 to 13b-77, inclusive, of the general statutes, and in the proceedings of the State Bond Commission respecting the issuance and sale of said bonds.

(f) Said bonds issued pursuant to this section shall be special obligations of the state and shall not be payable from or charged upon any funds other than revenues of the state pledged therefor in subsection (b) of section 13b-61 of the general statutes and section 13b-69 of the general statutes, or such other receipts, funds or moneys as may be pledged therefor. Said bonds shall not be payable from or

charged upon any funds other than such pledged revenues or such other receipts, funds or moneys as may be pledged therefor, nor shall the state or any political subdivision thereof be subject to any liability thereon, except to the extent of such pledged revenues or such other receipts, funds or moneys as may be pledged therefor. Said bonds shall be issued under and in accordance with the provisions of sections 13b-74 to 13b-77, inclusive, of the general statutes.

Sec. 47. Subsection (a) of section 32-235 of the general statutes, as amended by section 74 of public act 11-57, is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) For the purposes described in subsection (b) of this section, the State Bond Commission shall have the power, from time to time to authorize the issuance of bonds of the state in one or more series and in principal amounts not exceeding in the aggregate **[**six hundred seventy-five million three hundred thousand**]** one billion fifteen million three hundred thousand dollars, provided **[**forty million dollars of said authorization shall be effective July 1, 2012**]** one hundred forty million dollars of said authorization shall be effective July 1, 2011, and twenty million dollars of said authorization shall be made available for small business development. Two hundred eighty million dollars of said authorization shall be effective July 1, 2012, and forty million dollars of said authorization shall be made available for small business development. Any amount of said authorizations that are required to be made available for small business development but are not exhausted for such purpose by the first day of the fiscal year subsequent to the fiscal year in which such amount was made available shall be used for the purposes described in subsection (b) of this section. For purposes of this subsection, a "small business" is one employing not more than fifty employees.

Sec. 48. Subdivision (1) of subsection (i) of section 32-9t of the general statutes, as amended by section 2 of public act 11-86, is

repealed and the following is substituted in lieu thereof (*Effective from passage*):

(i) (1) There shall be allowed as a credit against the tax imposed under chapters 207 to 212a, inclusive, or section 38a-743, or a combination of said taxes, an amount equal to the following percentage of approved investments made by or on behalf of a taxpayer with respect to the following income years of the taxpayer: (A) With respect to the income year in which the investment in the eligible project was made and the two next succeeding income years, zero per cent; (B) with respect to the third full income year succeeding the year in which the investment in the eligible project was made and the three next succeeding income years, ten per cent; (C) with respect to the seventh full income year succeeding the year in which the investment in the eligible project was made and the next two succeeding years, twenty per cent. The sum of all tax credits granted pursuant to the provisions of this section shall not exceed one hundred million dollars with respect to a single eligible urban reinvestment project or a single eligible industrial site investment project approved by the commissioner. The sum of all tax credits granted pursuant to the provisions of this section shall not exceed **[**seven**]** six hundred fifty million dollars.

Sec. 49. (*Effective from passage*) (a) For the purposes described in subsection (b) of this section, the State Bond Commission shall have the power, from time to time to authorize the issuance of bonds of the state in one or more series and in principal amounts not exceeding in the aggregate ten million dollars, provided five million dollars of said allocation shall be effective July 1, 2012.

(b) The proceeds of the sale of said bonds, to the extent of the amount stated in subsection (a) of this section, shall be used by the Department of Energy and Environmental Protection for the energy efficiency fuel oil furnace and boiler replacement, upgrade and repair

program established pursuant to section 50 of this act.

(c) All provisions of section 3-20 of the general statutes, or the exercise of any right or power granted thereby, which are not inconsistent with the provisions of this section are hereby adopted and shall apply to all bonds authorized by the State Bond Commission pursuant to this section, and temporary notes in anticipation of the money to be derived from the sale of any such bonds so authorized may be issued in accordance with said section 3-20 and from time to time renewed. Such bonds shall mature at such time or times not exceeding twenty years from their respective dates as may be provided in or pursuant to the resolution or resolutions of the State Bond Commission authorizing such bonds. None of said bonds shall be authorized except upon a finding by the State Bond Commission that there has been filed with it a request for such authorization which is signed by or on behalf of the Secretary of the Office of Policy and Management and states such terms and conditions as said commission, in its discretion, may require. Said bonds issued pursuant to this section shall be general obligations of the state and the full faith and credit of the state of Connecticut are pledged for the payment of the principal of and interest on said bonds as the same become due, and accordingly and as part of the contract of the state with the holders of said bonds, appropriation of all amounts necessary for punctual payment of such principal and interest is hereby made, and the State Treasurer shall pay such principal and interest as the same become due.

Sec. 50. (NEW) (*Effective from passage*) (a) On or after the effective date of this section and upon the allocation of the proceeds of the bonds authorized by section 49 of this act, the Department of Energy and Environmental Protection shall establish an energy efficiency fuel oil furnace and boiler replacement, upgrade or repair program to provide replacement furnaces and boilers, and repairs and upgrades to

existing furnaces or boilers to meet the standards for replacement units specified in this subsection, to (1) nonprofit organizations that own their own buildings, and (2) housing authorities for use in dwelling units owned by such housing authorities. The Commissioner of Energy and Environmental Protection shall, upon terms acceptable to the commissioner, enter into a written agreement with the Fuel Oil Conservation Board, established pursuant to section 49 of public act 11-80, as amended by this act, to provide for the purchase and installation of energy efficient oil furnaces and boilers or upgrades or repairs to existing furnaces and boilers, as appropriate. Such replacement energy efficient oil furnaces or boilers shall be equipped with electronically commutated blower motors and have an efficiency rating of not less than eighty-six per cent. Such energy efficient oil furnaces and boilers shall be equipped with thermal purge or temperature reset controls and have an efficiency rating of not less than eighty-six per cent. If upgrades or repairs are possible in a manner that will achieve an efficiency rating of seventy-five per cent or more, units shall be upgraded or repaired rather than replaced.

(b) On or before December 1, 2011, the Connecticut Housing Finance Authority shall provide the Commissioner of Energy and Environmental Protection a list of housing authorities in the state that own dwelling units that are heated with a fuel oil furnace or boiler.

(c) (1) On or before January 1, 2012, the Commissioner of Energy and Environmental Protection, in conjunction with the Fuel Oil Conservation Board, shall (A) develop a process for identifying and notifying each nonprofit organization and housing authority that may be eligible for the program, and (B) implement a method to process applications for a replacement furnace or boiler or repairs or upgrades to existing furnaces or boilers pursuant to this section. The board shall begin to make preliminary determinations on the eligibility of any applicants not later than January 1, 2012.

(2) As a condition of eligibility for the program, each nonprofit organization or housing authority applying for the program pursuant to subdivision (1) of this subsection shall, at the time of submission of its application, verify that it (A) has applied for, and (B) agrees to accept the services of any available conservation program administered pursuant to sections 7-233y or 16-245m of the general statutes.

(3) The Fuel Oil Conservation Board shall act on completed applications in the order received, except that the board may act immediately in emergencies where the nonprofit organization has no heat or has a furnace or boiler that is unsafe or inoperable, or the housing authority owns a dwelling unit that has no heat or such dwelling unit's furnace or boiler is unsafe or inoperable.

(d) The Fuel Oil Conservation Board, in conjunction with the Connecticut Energy Conservation Management Board, shall (1) establish criteria for determining (A) the condition of a nonprofit organization's oil furnace or boiler and fuel oil tank, or the condition of an oil furnace or boiler and fuel oil tank in a dwelling unit owned by a housing authority, and (B) whether such furnace, boiler or tank is inoperable or unsafe, or whether such furnace or boiler has an efficiency rating of less than sixty-five per cent, and (2) if the unsafe or inoperability circumstances of an oil furnace or boiler involve oil tank replacement, determine on the basis of a five-year payback whether it would be more cost effective for such applicant to connect to a natural gas pipeline, if available. If it is determined that it is not cost effective for such applicant to connect to a natural gas pipeline, or if no pipeline is available, the boards may elect to replace the applicant's oil tank. When the boards elect to replace an oil furnace or boiler with a gas furnace or boiler, such gas furnace shall have not less than a ninety-five per cent annual fuel utilization efficiency and such gas boiler shall have not less than a ninety per cent annual fuel utilization efficiency.

(e) The Fuel Oil Conservation Board shall issue a request for proposals for the anticipated furnaces, boilers and equipment needed to meet the obligations of the program established under this section.

Sec. 51. Section 49 of public act 11-80 is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) There is established a Fuel Oil Conservation Board consisting of **[**thirteen**]** the following members: **[**, including:**]**

(1) **[**One member representing dealers with retail oil heat sales in excess of fifteen million gallons in the state, appointed by the president pro tempore of the Senate**]** The Commissioner of Energy and Environmental Protection, or his or her designee, who shall serve as the chairperson of the board and who shall convene its meetings;

(2) **[**One member representing**]** A representative of retail oil heat dealers, **[**with retail oil heat sales of less than fifteen million gallons in the state,**]** appointed by the **[**speaker of the House of Representatives**]** president pro tempore of the Senate;

(3) **[**One member representing**]** A representative of the heating, ventilation and air-conditioning trades licensed under chapter 393 of the general statutes, with experience in implementing energy efficiency systems, appointed by the **[**majority leader of the Senate**]** speaker of the House of Representatives;

(4) **[**One member representing**]** A representative of wholesale heating distributors operating within the state, appointed by the majority leader of the **[**House of Representatives**]** Senate;

(5) **[**One member representing a state-wide environmental advocacy group**]** An in-state biodiesel distributor, appointed by the minority leader of the Senate;

(6) **[**The chairperson of the Heating, Piping, Cooling and Sheet Metal Work Board established under chapter 393 of the general statutes**]** A representative of a state-wide environmental advocacy group, with expertise in energy efficiency measures, appointed by the majority leader of the House of Representatives;

(7) **[**One member from a state-wide retail oil dealer trade association**]** A retail oil heat dealer with experience in implementing energy conservation services, appointed by the minority leader of the House of Representatives; and

(8) **[**Six**]** Five members of the public appointed by the Governor, one of whom shall be a representative of an environmental organization knowledgeable in energy efficiency programs, **[**one of whom shall be a representative of an in-state biodiesel distributor,**]** one of whom shall be a representative of a consumer advocacy organization, one of whom shall be a representative of the business community, one of whom shall be a representative of low-income ratepayers and one of whom shall be a representative of state residents, in general. **[**, and all of whom shall have expertise in energy issues; and**]**

(9) All appointed members of the board shall serve in accordance with section 4-1a of the general statutes.

(b) The Fuel Oil Conservation Board, established pursuant to this section, shall be a successor entity to the Fuel Oil Conservation Board, established pursuant to section 16a-22*l* of the general statutes, revision of 1958, revised to January 1, 2011. All appointments to the Fuel Oil Conservation Board shall be made no later than thirty days after the effective date of this section. Each appointing authority shall provide the Commissioner of Energy and Environmental Protection with the name and contact information for each appointed board member.

**[**(b)**]** (c) The Fuel Oil Conservation Board shall be within the

Department of Energy and Environmental Protection for administrative purposes only.

(d) The Fuel Oil Conservation Board shall be responsible for the administration of the energy efficiency oil furnace and boiler replacement, upgrade and repair program established pursuant to section 50 of this act.

Sec. 52. (*Effective from passage*) (a) For the purposes described in subsection (b) of this section, the State Bond Commission shall have the power, from time to time to authorize the issuance of bonds of the state in one or more series and in principal amounts not exceeding in the aggregate one hundred twenty-five million dollars, provided twenty-five million dollars of said authorization shall be effective July 1, 2012, twenty-five million dollars of said authorization shall be effective July 1, 2013, twenty-five million dollars of said authorization shall be effective July 1, 2014, and twenty-five million dollars of said authorization shall be effective July 1, 2015.

(b) The proceeds of the sale of said bonds, to the extent of the amount stated in subsection (a) of this section, shall be used by Connecticut Innovations, Incorporated for the purpose of recapitalizing the programs established in chapter 581 of the general statutes, provided up to fifteen million dollars shall be made available for the preseed financing program established pursuant to section 32-41x of the general statutes.

(c) All provisions of section 3-20 of the general statutes, or the exercise of any right or power granted thereby, which are not inconsistent with the provisions of this section are hereby adopted and shall apply to all bonds authorized by the State Bond Commission pursuant to this section, and temporary notes in anticipation of the money to be derived from the sale of any such bonds so authorized may be issued in accordance with said section 3-20 and from time to

time renewed. Such bonds shall mature at such time or times not exceeding twenty years from their respective dates as may be provided in or pursuant to the resolution or resolutions of the State Bond Commission authorizing such bonds. None of said bonds shall be authorized except upon a finding by the State Bond Commission that there has been filed with it a request for such authorization which is signed by or on behalf of the Secretary of the Office of Policy and Management and states such terms and conditions as said commission, in its discretion, may require. Said bonds issued pursuant to this section shall be general obligations of the state and the full faith and credit of the state of Connecticut are pledged for the payment of the principal of and interest on said bonds as the same become due, and accordingly and as part of the contract of the state with the holders of said bonds, appropriation of all amounts necessary for punctual payment of such principal and interest is hereby made, and the State Treasurer shall pay such principal and interest as the same become due.

Sec. 53. Subsection (a) of section 12-217jj of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) As used in this section:

(1) "Commissioner" means the Commissioner of Revenue Services.

(2) "Department" means the Department of Economic and Community Development.

(3) (A) "Qualified production" means entertainment content created in whole or in part within the state, including motion pictures; documentaries; long-form, specials, mini-series, series, sound recordings, videos and music videos and interstitials television programming; interactive television; relocated television production;

interactive games; videogames; commercials; any format of digital media, including an interactive web site, created for distribution or exhibition to the general public; and any trailer, pilot, video teaser or demo created primarily to stimulate the sale, marketing, promotion or exploitation of future investment in either a product or a qualified production via any means and media in any digital media format, film or videotape, provided such program meets all the underlying criteria of a qualified production.

(B) "Qualified production" shall not include any ongoing television program created primarily as news, weather or financial market reports; **[**,**]** a production featuring current events, other than a relocated television production, sporting events, an awards show or other gala event; **[**,**]** a production whose sole purpose is fundraising; **[**,**]** a long-form production that primarily markets a product or service; **[**,**]** a production used for corporate training or in-house corporate advertising or other similar productions; **[**,**]** or any production for which records are required to be maintained under 18 USC 2257 with respect to sexually explicit content.

(4) "Eligible production company" means a corporation, partnership, limited liability company, or other business entity engaged in the business of producing qualified productions on a one-time or ongoing basis, and qualified by the Secretary of the State to engage in business in the state.

(5) "Production expenses or costs" means all expenditures clearly and demonstrably incurred in the state in the preproduction, production or postproduction costs of a qualified production, including:

(A) Expenditures incurred in the state in the form of either compensation or purchases including production work, production equipment not eligible for the infrastructure tax credit provided in

section 12-217kk, as amended by this act, production software, postproduction work, postproduction equipment, postproduction software, set design, set construction, props, lighting, wardrobe, makeup, makeup accessories, special effects, visual effects, audio effects, film processing, music, sound mixing, editing, location fees, soundstages and any and all other costs or services directly incurred in connection with a state-certified qualified production;

(B) Expenditures for distribution, including preproduction, production or postproduction costs relating to the creation of trailers, marketing videos, commercials, point-of-purchase videos and any and all content created on film or digital media, including the duplication of films, videos, CDs, DVDs and any and all digital files now in existence and those yet to be created for mass consumer consumption; the purchase, by a company in the state, of any and all equipment relating to the duplication or mass market distribution of any content created or produced in the state by any digital media format which is now in use and those formats yet to be created for mass consumer consumption; and

(C) "Production expenses or costs" does not include the following: (i) On and after January 1, 2008, compensation in excess of fifteen million dollars paid to any individual or entity representing an individual, for services provided in the production of a qualified production and on or after January 1, 2010, compensation subject to Connecticut personal income tax in excess of twenty million dollars paid in the aggregate to any individuals or entities representing individuals, for star talent provided in the production of a qualified production; (ii) media buys, promotional events or gifts or public relations associated with the promotion or marketing of any qualified production; (iii) deferred, leveraged or profit participation costs relating to any and all personnel associated with any and all aspects of the production, including, but not limited to, producer fees, director

fees, talent fees and writer fees; (iv) costs relating to the transfer of the production tax credits; (v) any amounts paid to persons or businesses as a result of their participation in profits from the exploitation of the qualified production; and (vi) any expenses or costs relating to an independent certification, as required by subsection (g) of this section, or as the department may otherwise require, pertaining to the amount of production expenses or costs set forth by an eligible production company in its application for a production tax credit.

(6) "Sound recording" means a recording of music, poetry or spoken-word performance, but does not include the audio portions of dialogue or words spoken and recorded as part of a motion picture, video, theatrical production, television news coverage or athletic event.

(7) "State-certified qualified production" means a qualified production produced by an eligible production company that (A) is in compliance with regulations adopted pursuant to subsection (k) of this section, (B) is authorized to conduct business in this state, and (C) has been approved by the department as qualifying for a production tax credit under this section.

(8) "Interactive web site" means a web site, the production costs of which (A) exceed five hundred thousand dollars per income year, and (B) is primarily (i) interactive games or end user applications, or (ii) animation, simulation, sound, graphics, story lines or video created or repurposed for distribution over the Internet. An interactive web site does not include a web site primarily used for institutional, private, industrial, retail or wholesale marketing or promotional purposes, or which contains obscene content.

(9) "Post-certification remedy" means the recapture, disallowance, recovery, reduction, repayment, forfeiture, decertification or any other remedy that would have the effect of reducing or otherwise limiting the use of a tax credit provided by this section.

(10) "Compensation" means base salary or wages and does not include bonus pay, stock options, restricted stock units or similar arrangements.

(11) "Relocated television production" means:

(A) An ongoing television program all of the prior seasons of which were filmed outside this state, and may include current events shows, except those referenced in subparagraph (B)(i) of this subdivision.

(B) An eligible production company's television programming in this state that (i) is not a general news program, sporting event or game broadcast, and (ii) is created at a qualified production facility that has had a minimum investment of twenty-five million dollars made by such eligible production company on or after January 1, 2012, at which facility the eligible production company creates ongoing television programming as defined in subparagraph (A) of this subdivision, and creates at least two hundred new jobs in Connecticut on or after January 1, 2012. For purposes of this subdivision, "new job" means a full-time job, as defined in section 12-217ii, as amended by this act, that did not exist in this state prior to January 1, 2012, and is filled by a new employee, and "new employee" includes a person who was employed outside this state by the eligible production company prior to January 1, 2012, but does not include a person who was employed in this state by the eligible production company or a related person, as defined in section 12-217ii, as amended by this act, with respect to the eligible production company during the prior twelve months.

(C) A relocated television production may be a state-certified qualified production for not more than ten successive income years, after which period the eligible production company shall be ineligible to resubmit an application for certification.

Sec. 54. Subdivision (2) of subsection (a) of section 12-211a of the general statutes, as amended by section 75 of public act 11-6 and section 48 of public act 11-61, is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(2) For purposes of this subsection, "type one tax credits" mean tax credits allowable under **[**section 12-217*ll***]** section 12-217jj, 12-217kk or 12-217*ll*, as amended by this act; "type two tax credits" mean tax credits allowable under section 38a-88a; "type three tax credits" mean tax credits that are not type one tax credits or type two tax credits"; "thirty per cent threshold" means thirty per cent of the amount of tax due from a taxpayer under this chapter prior to the application of tax credits; "fifty-five per cent threshold" means fifty-five per cent of the amount of tax due from a taxpayer under this chapter prior to the application of tax credits; and "seventy per cent threshold" means seventy per cent of the amount of tax due from a taxpayer under this chapter prior to the application of tax credits.

Sec. 55. Subdivision (4) of subsection (b) of section 12-217kk of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(4) **[**Any**]** All or part of any credit allowed pursuant to this section shall be claimed against the tax imposed under chapter 207 or this chapter for the income year in which expenditures were made for the infrastructure project, or in **[**. If the amount of the credit allowable under this section exceeds the sum of any taxes due from a taxpayer, any such excess amount of the credit allowable under this section may be taken in any of**]** the three immediately succeeding income years.

Sec. 56. Section 38a-91aa of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2012*):

As used in sections 38a-91aa to 38a-91qq, inclusive, as amended by

this act, and sections 70 to 72, inclusive, of this act:

(1) "Affiliated company" means any company in the same corporate system as a parent, an industrial insured or a member organization by virtue of common ownership, control, operation or management.

(2) "Alien captive insurance company" means any insurance company formed to write insurance business for its parent and affiliated companies and licensed pursuant to the laws of an alien jurisdiction that imposes statutory or regulatory standards on companies transacting the business of insurance in such jurisdiction that the commissioner deems to be acceptable.

**[**(2)**]** (3) "Association" means any legal association of individuals, corporations, limited liability companies, partnerships, associations or other entities that has been in continuous existence for at least one year, where the association itself or some or all of the member organizations:

(A) **[**Own**]** Directly or indirectly own, control or hold with power to vote all of the outstanding voting securities or other voting interests of an association captive insurance company incorporated as a stock insurer;

(B) Have complete voting control over an association captive insurance company incorporated as a mutual **[**insurer**]** corporation or formed as a limited liability company; or

(C) Constitute all of the subscribers of an association captive insurance company formed as a reciprocal insurer.

**[**(3)**]** (4) "Association captive insurance company" means any company that insures risks of the member organizations of **[**the**]** an association, and **[**their**]** includes a company that also insures risks of such member organizations' affiliated companies or of the association.

(5) "Branch business" means any insurance business transacted in this state by a branch captive insurance company.

(6) "Branch captive insurance company" means any alien captive insurance company licensed by the commissioner to transact the business of insurance in this state through a business unit with a principal place of business in this state.

(7) "Branch operations" means any business operations in this state of a branch captive insurance company.

**[**(4)**]** (8) "Captive insurance company" means any (A) pure captive insurance company, association captive insurance company, industrial insured captive insurance company, **[**or**]** risk retention group, sponsored captive insurance company or special purpose financial captive insurance company that is domiciled in this state and formed or licensed under the provisions of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act, or (B) branch captive insurance company.

(9) "Ceding insurer" means an insurance company, approved by the commissioner and licensed or otherwise authorized to transact the business of insurance or reinsurance in its state or country of domicile, that cedes risk to a special purpose financial captive insurance company pursuant to a reinsurance contract.

**[**(5)**]** (10) "Commissioner" means the Insurance Commissioner.

**[**(6)**]** (11) "Controlled unaffiliated business" means any **[**company**]** person:

(A) **[**That**]** Who, (i) in the case of a pure captive insurance company, is not in the corporate system of a parent and the parent's affiliated companies, or (ii) in the case of an industrial insured captive insurance company, is not in the corporate system of an industrial insured and

the industrial insured's affiliated companies;

(B) **[**That**]** Who, (i) in the case of a pure captive insurance company, has an existing contractual relationship with a parent or one of the parent's affiliated **[**company**]** companies, or (ii) in the case of an industrial insured captive insurance company, has an existing contractual relationship with an industrial insured or one of the industrial insured's affiliated companies; and

(C) Whose risks are **[**insured**]** managed by a pure captive insurance company or an industrial insured captive insurance company, as applicable, in accordance with section 38a-91qq, as amended by this act.

**[**(7)**]** (12) "Excess workers' compensation insurance" means, in the case of an employer that has insured or self-insured its workers' compensation risks in accordance with applicable state or federal law, insurance in excess of a specified per-incident or aggregate limit established by the commissioner.

(13) "Incorporated protected cell" means a protected cell that is established as a corporation or a limited liability company, separate from the sponsored captive insurance company with which it has entered into a participant contract.

**[**(8)**]** (14) "Industrial insured" means an insured:

(A) Who procures the insurance of any risk or risks by use of the services of a full-time employee acting as an insurance manager or buyer;

(B) Whose aggregate annual premiums for insurance on all risks total at least twenty-five thousand dollars; and

(C) Who has at least twenty-five full-time employees.

**[**(9)**]** (15) "Industrial insured captive insurance company" means any company that insures risks of the industrial insureds that comprise **[**the**]** an industrial insured group, and **[**their**]** includes a company that also insures risks of such industrial insureds' affiliated companies.

**[**(10)**]** (16) "Industrial insured group" means any group of industrial insureds that collectively:

(A) **[**Own**]** Directly or indirectly own, control or hold with power to vote all of the outstanding voting securities or other voting interests of an industrial insured captive insurance company incorporated as a stock insurer;

(B) Have complete voting control over an industrial insured captive insurance company incorporated as a mutual **[**insurer**]** corporation or formed as a limited liability company; or

(C) Constitute all of the subscribers of an industrial insured captive insurance company formed as a reciprocal insurer.

(17) "Insurance securitization" or "securitization" means a transaction or a group of related transactions, which may include capital market offerings, that are effected through related risk transfer instruments and facilitating administrative agreements, in which all or part of the result of such transaction is used to fund a special purpose financial captive insurance company's obligations under a reinsurance contract with a ceding insurer and by which:

(A) A special purpose financial captive insurance company directly or indirectly obtains proceeds through the issuance of securities by such company or any other person; or

(B) A person provides, for the benefit of a special purpose financial captive insurance company, one or more letters of credit or other assets that the commissioner has authorized such company to treat as

admitted assets for purposes of its annual report. "Insurance securitization" or "securitization" does not include the issuance of a letter of credit for the benefit of the commissioner to satisfy all or part of a special purpose financial captive insurance company's capital and surplus requirements under section 38a-91dd, as amended by this act.

**[**(11)**]** (18) "Member organization" means any individual, corporation, limited liability company, partnership, association or other entity that belongs to an association.

**[**(12)**]** (19) "Mutual corporation" means a corporation organized without stockholders and includes a nonprofit corporation with members.

**[**(13)**]** (20) "Parent" means **[**a**]** any individual, corporation, limited liability company, partnership **[**,**]** or other entity **[**or individual**]** that directly or indirectly owns, controls or holds with power to vote more than fifty per cent of the outstanding voting:

(A) Securities of a pure captive insurance company organized as a stock **[**corporation**]** insurer; or

(B) Membership interests of a pure captive insurance company organized as a nonprofit corporation or as a limited liability company.

(21) "Participant" means any association, corporation, limited liability company, partnership, trust or other entity, and any affiliated company thereof, that is insured by a sponsored captive insurance company pursuant to a participant contract.

(22) "Participant contract" means a contract entered into by a sponsored captive insurance company and a participant by which the sponsored captive insurance company insures the risks of the participant and limits the losses of each such participant to its pro rata share of the assets of one or more protected cells identified in such

participant contract.

(23) "Protected cell" means a separate account established by a sponsored captive insurance company, in which assets are maintained for one or more participants in accordance with the terms of one or more participant contracts to fund the liability of the sponsored captive insurance company assumed on behalf of such participants as set forth in such participant contracts.

**[**(14)**]** (24) "Pure captive insurance company" means any company that insures risks of its parent and affiliated companies or controlled unaffiliated business.

(25) "Reinsurance contract" means a contract entered into by a special purpose financial captive insurance company and a ceding insurer by which the special purpose financial captive insurance company agrees to provide reinsurance to the ceding insurer for risks associated with the ceding insurer's insurance or reinsurance business.

**[**(15)**]** (26) "Risk retention group" means a captive insurance company organized under the laws of this state pursuant to the federal Liability Risk Retention Act of 1986, 15 USC 3901 et seq., as amended from time to time, as a stock insurer or mutual corporation, a reciprocal or other limited liability entity.

(27) "Security" has the same meaning as provided in section 36b-3 and includes any form of debt obligation, equity, surplus certificate, surplus note, funding agreement, derivative or other financial instrument that the commissioner designates as a security for purposes of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act.

(28) "Special purpose financial captive insurance company" means a company that is licensed by the commissioner in accordance with section 38a-91bb, as amended by this act.

(29) "Special purpose financial captive insurance company security" means a security issued by (A) a special purpose financial captive insurance company, or (B) a third party, the proceeds of which are obtained directly or indirectly by a special purpose financial captive insurance company.

(30) "Sponsor" means any association, corporation, limited liability company, partnership, trust or other entity that is approved by the commissioner to organize and operate a sponsored captive insurance company and to provide all or part of the required unimpaired paid-in capital and surplus.

(31) "Sponsored captive insurance company" means a captive insurance company:

(A) In which the minimum required unimpaired paid-in capital and surplus are provided by one or more sponsors;

(B) That insures risks of its participants only through separate participant contracts; and

(C) That funds its liability to each participant through one or more protected cells and segregates the assets of each protected cell from the assets of other protected cells and from the assets of the sponsored captive insurance company's general account.

(32) "Surplus note" means an unsecured subordinated debt obligation possessing characteristics consistent with the National Association of Insurance Commissioners Statement of Statutory Accounting Principles No. 41, as amended from time to time, and as modified or supplemented by the commissioner.

Sec. 57. Section 38a-91bb of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2012*):

(a) Any captive insurance company, when permitted by its articles of association, charter or other organizational document, may apply to the Insurance Commissioner for a license to do the business of insurance against any kind of loss, damage or liability properly a subject of insurance, if such insurance is not prohibited by law or is not disapproved by the commissioner as being contrary to public policy, including life insurance, annuities, health insurance, as defined in section 38a-469, and commercial risk insurance, as defined in section 38a-663, provided:

(1) No pure captive insurance company may insure any risks other than those of its parent and affiliated companies or controlled unaffiliated business;

(2) No association captive insurance company may insure any risks other than those of its association, the member organizations of its association, and **[**their**]** the member organizations' affiliated companies;

(3) No industrial insured captive insurance company may insure any risks other than those of (A) the industrial insureds that comprise the industrial insured group, **[**and their**]** (B) the industrial insureds' affiliated companies, or (C) the industrial insureds' controlled unaffiliated businesses;

(4) No risk retention group may insure any risks other than those of its members and owners;

(5) No captive insurance company may provide private passenger motor vehicle or homeowner's insurance coverage or any component thereof;

(6) No captive insurance company may accept or cede reinsurance except as provided in section 38a-91kk, as amended by this act;

(7) Any captive insurance company may provide excess workers' compensation insurance to its parent and affiliated companies, unless prohibited by the laws of the state having jurisdiction over the transaction or by federal law. Any captive insurance company may reinsure a workers' compensation qualified self-insured plan of its parent and affiliated companies, unless prohibited by federal law;

**[**(7)**]** (8) Any captive insurance company that provides life insurance, annuities or health insurance shall comply with all applicable state and federal laws.

(b) No captive insurance company shall do any insurance business in this state unless:

(1) It first obtains from the Insurance Commissioner a license authorizing it to do insurance business in this state;

(2) Its board of directors or committee of managers or, in the case of a reciprocal insurer, its subscribers' advisory committee holds at least one meeting each year in this state;

(3) It maintains its principal place of business in this state; and

(4) It appoints a registered agent to accept service of process and to otherwise act on its behalf in this state. Whenever such registered agent cannot with reasonable diligence be found at the registered office of the captive insurance company, the Insurance Commissioner shall be an agent of such captive insurance company upon whom any process, notice or demand may be served.

(c) (1) To be considered for a license, a captive insurance company shall:

(A) File with the commissioner a certified copy of its organizational documents, a statement under oath of its president and secretary

showing its financial condition, and any other statements or documents required by the commissioner; and

(B) Submit to the commissioner for approval a description of the coverages, deductibles, coverage limits and rates and such additional information as the commissioner may require. In the event of any subsequent material change in any item in such description, the captive insurance company shall submit to the commissioner for approval an appropriate revision and shall not offer any additional kinds of insurance until a revision of such description is approved by the commissioner. The captive insurance company shall inform the commissioner of any material change in rates not later than thirty days after the adoption of such change.

(2) Each applicant captive insurance company shall also file with the commissioner evidence of the following:

(A) The amount and liquidity of the company's assets relative to the risks to be assumed;

(B) The adequacy of the expertise, experience and character of the persons who will manage the company;

(C) The overall soundness of the company's plan of operation;

(D) The adequacy of the loss prevention programs of the company's insureds; and

(E) Such other factors deemed relevant by the commissioner in ascertaining whether the proposed captive insurance company will be able to meet its policy obligations.

(3) Each applicant sponsored captive insurance company shall also file with the commissioner:

(A) Materials demonstrating how the applicant will account for the

loss and expense experience of each protected cell at a level of detail deemed sufficient by the commissioner, and how it will report such experience to the commissioner;

(B) A statement acknowledging that all financial records of the sponsored captive insurance company, including records pertaining to any protected cells, shall be made available for examination or inspection or by the commissioner or the commissioner's designee;

(C) All contracts or sample contracts between the sponsored captive insurance company and any participants; and

(D) Evidence that expenses shall be allocated to each protected cell in a fair and equitable manner.

(4) Each applicant special purpose financial captive insurance company shall also:

(A) Include with its plan of operation:

(i) A complete description of all significant transactions, including reinsurance, reinsurance security arrangements, securitizations, related transactions or arrangements, and to the extent not included in the transactions listed in this clause, a complete description of all parties other than the special purpose financial captive insurance company and the ceding insurer that will be involved in the issuance of special purpose financial captive insurance company securities and a description of any pledge, hypothecation or grant of a security interest in any of the special purpose financial captive insurance company's assets and in any stock or limited liability company interest in the special purpose financial captive insurance company;

(ii) The source and form of the special purpose financial captive insurance company's capital and surplus;

(iii) The proposed investment policy of the special purpose financial captive insurance company;

(iv) A description of the underwriting, reporting and claims payment methods by which losses covered by the reinsurance contract will be reported, accounted for and settled;

(v) Pro forma balance sheets and income statements illustrating one or more adverse case scenarios, as determined under criteria required by the commissioner, for the performance of the special purpose financial captive insurance company under all reinsurance contracts; and

(vi) The proposed rate and method for discounting reserves, if the special purpose financial captive insurance company is requesting authority to discount its reserves;

(B) Submit an affidavit of its president, a vice president, its treasurer or its chief financial officer that includes the following statements, that to the best of such person's knowledge and belief after reasonable inquiry:

(i) The proposed organization and operation of the special purpose financial captive insurance company comply with all applicable provisions of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, sections 70 to 72, inclusive, of this act and chapter 698;

(ii) The special purpose financial captive insurance company's investment policy reflects and takes into account the liquidity of assets and the reasonable preservation, administration and management of such assets with respect to the risks associated with the reinsurance contract and the insurance securitization transaction. With respect to a special purpose financial captive insurance company, "management" means the board of directors, managing board or other individual or individuals vested with overall responsibility for the management of

the affairs of such company, including, but not limited to, officers or other agents elected or appointed to act on behalf of such company; and

(iii) The reinsurance contract and any arrangement for securing the special purpose financial captive insurance company's obligations under such reinsurance contract, including, but not limited to, any agreements or other documentation to implement such arrangement, comply with the provisions of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, sections 70 to 72, inclusive, of this act, and chapter 698;

(C) Include with its application:

(i) Copies of all agreements and documentation described in subparagraph (A) of this subdivision unless otherwise approved by the commissioner, and any other statements or documents required by the commissioner to evaluate the special purpose financial captive insurance company's application for licensure; and

(ii) An opinion of qualified legal counsel, in a form acceptable to the commissioner, that the offer and sale of any special purpose financial captive insurance company securities complies with all applicable registration requirements or applicable exemptions from or exceptions to such requirements of the federal securities laws and that the offer and sale of securities by the special purpose financial captive insurance company itself comply with all registration requirements or applicable exemptions from or exceptions to such requirements of the securities laws of this state. Such opinion shall not be required as part of the application if the special purpose financial captive insurance company includes a specific statement in its plan of operation that such opinions will be provided to the commissioner in advance of the offer or sale of any special purpose financial captive insurance company securities.

(5) A sponsored captive insurance company may apply to be licensed as a special purpose financial captive insurance company. Such company shall be subject to the provisions of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act applicable to a sponsored captive insurance company and to a special purpose financial captive insurance company. In the event of conflict between such provisions applicable to a sponsored captive insurance company and to a special purpose financial captive insurance company, the provisions applicable to a special purpose financial captive insurance company shall control.

**[**(3)**]** (6) Information submitted pursuant to this subsection shall be and shall remain confidential and shall not be made public by the commissioner or an employee or agent of the commissioner without the written consent of the company, except that:

(A) Such information may be discoverable by a party in a civil action or contested case to which the captive insurance company that submitted such information is a party upon a showing by the party seeking to discover such information that:

(i) The information sought is relevant to and necessary for the furtherance of such action or case;

(ii) The information sought is unavailable from other nonconfidential sources; and

(iii) A subpoena issued by a judicial or administrative officer of competent jurisdiction has been submitted to the commissioner, provided such submission requirement shall not apply to a risk retention group; and

(B) The commissioner may, in the commissioner's discretion, disclose such information to a public official having jurisdiction over the regulation of insurance in another state, provided:

(i) Such public official agrees, in writing, to maintain the confidentiality of such information; and

(ii) The laws of the state in which such public official serves require such information to be and to remain confidential.

(d) (1) Each captive insurance company shall pay to the commissioner a nonrefundable fee of eight hundred dollars for examining, investigating and processing its application for a license. **[**, and the**]** The commissioner may retain legal, financial and examination services from outside the department for the licensing and financial oversight of a captive insurance company, the reasonable cost of which may be charged against **[**the applicant**]** such company. The provisions of subdivisions (2) to (5), inclusive, of subsection (k) of section 38a-14 shall apply to **[**examinations, investigations and processing conducted under**]** this **[**section**]** subdivision.

(2) Each captive insurance company shall pay a license fee for the first year of licensure and a renewal fee for each year thereafter as set forth in section 38a-11.

(e) (1) If the commissioner finds that the documents and statements that a captive insurance company, other than a special purpose financial captive insurance company, has filed comply with the provisions of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act, the commissioner may grant a license authorizing the company to do insurance business in this state until April first thereafter. The captive insurance company may apply to renew such license on such forms as the commissioner prescribes.

(2) (A) The commissioner may grant a license authorizing a special purpose financial captive insurance company to do reinsurance business in this state until April first thereafter upon the

commissioner's finding that (i) the proposed plan of operation provides for a reasonable and expected successful operation, (ii) the terms of the reinsurance contract and related transactions comply with sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act, (iii) the proposed plan of operation is not hazardous to any ceding insurer, and (iv) the insurance regulator of the state of domicile of each ceding insurer has notified the commissioner in writing or has otherwise provided assurance satisfactory to the commissioner that such regulator has approved or has not disapproved the transaction, provided the commissioner shall not be precluded from issuing a license to a special purpose financial captive insurance company if such regulator has not responded with respect to all or any part of the transaction.

(B) In conjunction with granting such license, the commissioner may issue an order to the special purpose financial captive insurance company of any additional provisions, terms or conditions regarding the organization, licensing or operation of such company that are not inconsistent with the provisions of this chapter and are deemed appropriate by the commissioner.

(3) The commissioner shall not grant a license to a branch captive insurance company unless the alien captive insurance company grants the commissioner authority to examine the alien captive insurance company in the jurisdiction in which the alien captive insurance company is formed.

Sec. 58. Section 38a-91dd of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2012*):

(a) (1) The Insurance Commissioner shall not issue a license to a captive insurance company or allow the company to retain such license unless the company has and maintains unimpaired paid-in capital and surplus of:

**[**(1)**]** (A) In the case of a pure captive insurance company, not less than two hundred fifty thousand dollars;

**[**(2)**]** (B) In the case of an association captive insurance company, not less than **[**seven hundred fifty**]** five hundred thousand dollars;

**[**(3)**]** (C) In the case of an industrial insured captive insurance company, not less than five hundred thousand dollars; **[**and**]**

**[**(4)**]** (D) In the case of a risk retention group, not less than one million dollars;

(E) In the case of a sponsored captive insurance company, not less than five hundred thousand dollars;

(F) In the case of a special purpose financial captive insurance company, not less than two hundred fifty thousand dollars; and

(G) In the case of a sponsored captive insurance company licensed as a special purpose financial captive insurance company, not less than five hundred thousand dollars.

(2) (A) The Insurance Commissioner shall not issue a license to a branch captive insurance company or allow the company to retain such license unless the company has and maintains, as security for the payment of liabilities attributable to the branch operations:

(i) Not less than two hundred fifty thousand dollars; and

(ii) Reserves on such insurance policies or such reinsurance contracts as may be issued or assumed by the branch captive insurance company through its branch operations, including reserves for losses, allocated loss adjustment expenses, incurred but not reported losses and unearned premiums with regard to business written through the branch operations. The commissioner may permit a branch captive insurance company to credit against any such reserves any security for

loss reserves that the branch captive insurance company posts with a ceding insurer or is posted by a reinsurer with the branch captive insurance company, so long as such security remains posted.

(B) The amounts required under subparagraph (A) of this subdivision may be held, with the prior approval of the commissioner, in the form of (i) a trust formed under a trust agreement and funded by assets acceptable to the commissioner, (ii) an irrevocable letter of credit issued or confirmed by a bank approved by the commissioner, (iii) with respect to the amount required under subparagraph (A)(i) of this subdivision only, cash on deposit with the commissioner, or (iv) any combination thereof.

(b) The commissioner may adopt regulations, in accordance with chapter 54, to establish additional capital and surplus requirements based upon the type, volume and nature of insurance business transacted.

(c) **[**Capital**]** Except as specified in subdivision (2) of subsection (a) of this section, capital and surplus may be in the form of cash or an irrevocable letter of credit issued by a bank **[**chartered by this state or a member bank of the Federal Reserve System and**]** approved by the commissioner.

Sec. 59. Section 38a-91ee of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2012*):

(a) No captive insurance company may pay a dividend out of, or other distribution with respect to, capital or surplus without the prior approval of the Insurance Commissioner. Approval of an ongoing plan for the payment of dividends or other distributions shall be conditioned on the retention, at the time of each payment, of capital or surplus in excess of amounts specified by, or determined in accordance with formulas approved by, the commissioner.

(b) No special purpose financial captive insurance company may declare or pay a dividend or distribution if such dividend or distribution would jeopardize the ability of such company or any other person to fulfill such company's or other person's respective obligations under such company's securitization agreements, reinsurance contract or any related transaction.

Sec. 60. Section 38a-91ff of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2012*):

(a) A pure captive insurance company may be incorporated as a stock insurer with its capital divided into shares and held by the stockholders, as a nonprofit corporation with one or more members or as a manager-managed limited liability company.

(b) An association captive insurance company, an industrial insured captive insurance company or a risk retention group may be:

(1) Incorporated as a stock insurer with its capital divided into shares and held by the stockholders;

(2) Incorporated as a mutual **[**insurer**]** corporation without capital stock, the governing body of which is elected by its insureds;

(3) Organized as a reciprocal insurer; or

(4) Organized as a manager-managed limited liability company.

(c) (1) A sponsored captive insurance company shall be incorporated as a stock insurer with its capital divided into shares held by the stockholders, as a mutual corporation, as a nonprofit corporation with one or more members or as a manager-managed limited liability company.

(2) One or more sponsors may apply to the commissioner to form a sponsored captive insurance company. In evaluating the qualifications

of a proposed sponsor, the commissioner shall consider the type and structure of the proposed sponsor entity, its experience in financial operations, financial stability and strength, business reputation and such other facts deemed relevant by the commissioner.

(3) (A) Associations, corporations, limited liability companies, partnerships, trusts and other business entities may be participants in a sponsored captive insurance company. No risk retention group shall be a sponsor or a participant of a sponsored captive insurance company.

(B) A sponsor may be a participant in a sponsored captive insurance company.

(C) A participant need not be a stockholder of the sponsored captive insurance company or any affiliate thereof.

(D) A participant shall insure only its own risks through a sponsored captive insurance company.

(d) (1) A special purpose financial captive insurance company may be incorporated as a stock insurer with its capital divided into shares and held by its stockholders or as a manager-managed limited liability company.

(2) A special purpose financial captive insurance company's organizational documents shall limit the special purpose financial captive insurance company's authority to transact the business of insurance or reinsurance to those activities that the special purpose financial captive insurance company conducts to accomplish its purposes described in sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act. For purposes of this subdivision and section 38a-91bb, as amended by this act, in the case of a special purpose financial captive insurance company formed (A) as a stock insurer, "organizational document"

means such company's articles of incorporation and bylaws, and (B) as a limited liability company, "organizational document" means such company's articles of organization and operating agreement.

(3) A special purpose financial captive insurance company may reinsure the risks of a ceding insurer only. A special purpose financial captive insurance company may purchase, with the prior approval of the commissioner, reinsurance to cede the risks assumed under a reinsurance contract.

(4) A captive insurance company that is engaged in, or will be engaged in, an insurance securitization on or after July 1, 2012, shall be deemed to be a special purpose financial captive insurance company. The commissioner may require such captive insurance company to take any action that the commissioner determines is reasonably necessary to bring such company into compliance as a special purpose financial captive insurance company. The commissioner may issue an order as described in subparagraph (B) of subdivision (2) of subsection (e) of section 38a-91bb, as amended by this act.

(e) A branch captive may be established in this state to write in this state only insurance or reinsurance of the employee benefit business of its parent and affiliated companies that is subject to the Employee Retirement Income Security Act of 1974, as amended from time to time. No branch captive insurance company shall do any insurance business in this state unless it maintains the principal place of business for its branch operations in this state.

**[**(c)**]** (f) A captive insurance company incorporated or organized in this state shall have not less than three incorporators or three organizers of whom at least one shall be a resident of this state.

**[**(d)**]** (g) In the case of a captive insurance company:

(1) Formed as a corporation, before the articles of incorporation are

transmitted to the Secretary of the State, the incorporators shall petition the Insurance Commissioner to issue a certificate setting forth the commissioner's finding that the establishment and maintenance of the proposed corporation will promote the general good of the state. In arriving at such a finding the commissioner shall consider:

(A) The character, reputation, financial standing and purposes of the incorporators;

(B) The character, reputation, financial responsibility, insurance experience and business qualifications of the officers and directors; and

(C) Such other aspects as the commissioner deems advisable.

(2) Formed as a reciprocal insurer, the organizers shall petition the commissioner to issue a certificate setting forth the commissioner's finding that the establishment and maintenance of the proposed association will promote the general good of the state. In arriving at such a finding the commissioner shall consider the items set forth in subdivision (1) of this subsection.

(3) Formed as a limited liability company, before the articles of organization are transmitted to the Secretary of the State, the organizers shall petition the commissioner to issue a certificate setting forth the commissioner's finding that the establishment and maintenance of the proposed company will promote the general good of the state. In arriving at such a finding, the commissioner shall consider the items set forth in subdivision (1) of this subsection.

(4) The articles of incorporation and certificate set forth in subdivisions (1) to (3), inclusive, of this subsection shall be transmitted to the Secretary of the State along with any fees required by the Secretary of the State, who shall record both the articles of incorporation and the certificate.

(h) In the case of a captive insurance company licensed as a branch captive, the alien captive insurance company shall petition the commissioner to issue a certificate setting forth the commissioner's finding that, after considering the character, reputation, financial responsibility, insurance experience, and business qualifications of the officers and directors of the alien captive insurance company, the licensing and maintenance of the branch operations will promote the general good of the state. The alien captive insurance company may register to do business in this state after the commissioner's certificate is issued.

**[**(e)**]** (i) The capital stock of a captive insurance company incorporated as a stock insurer may be authorized with no par value.

**[**(f)**]** (j) In the case of a captive insurance company:

(1) Formed as a corporation, (A) at least one of the members of the board of directors shall be a resident of this state, and (B) the articles of incorporation or bylaws of such company may authorize a quorum of its board of directors to consist of no fewer than one-third of the fixed or prescribed number of directors;

(2) Formed as a reciprocal insurer, (A) at least one of the members of the subscribers' advisory committee shall be a resident of this state, and (B) the subscribers' agreement or other organizing document of such company may authorize a quorum of its subscribers' advisory committee to consist of no fewer than one-third of the number of its members;

(3) Formed as a limited liability company, at least one of the managers shall be a resident of this state.

**[**(g)**]** (k) Other than captive insurance companies formed as limited liability companies or as nonprofit corporations, captive insurance companies formed as corporations under the provisions of sections

38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act shall have the privileges and be subject to the provisions of title 33 as well as the applicable provisions in sections 38a-91aa to **[**38a-91gg**]** 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act. In the event of conflict between the provisions of title 33 and sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act, the provisions of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act shall control.

**[**(h)**]** (l) Captive insurance companies formed under the provisions of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act:

(1) As limited liability companies shall have the privileges and be subject to the provisions of chapter 613 and applicable provisions in sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act. In the event of a conflict between the provisions of chapter 613 and sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act, the provisions of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act shall control; **[**or**]**

(2) As nonprofit corporations shall have the privileges and be subject to the applicable provisions of title 33 and applicable provisions in sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act. In the event of conflict between the provisions of title 33 and sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, the provisions of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act shall control; or

(3) As reciprocal insurers shall have the privileges and be subject to

the provisions of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act. In the event of conflict between the provisions the sections specified in section 38a-91oo, as amended by this act, and the provisions of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act, the provisions of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act shall control.

(m) In the case of captive insurance companies formed as limited liability companies, reciprocal insurers or mutual corporations, any proxy appointed by a member, subscriber or policyholder, as applicable, shall be valid if such proxy is appointed and transmitted in accordance with the provisions of section 33-706.

**[**(i)**]** (n) The provisions of this chapter pertaining to mergers, consolidations and conversions shall apply in determining the procedures to be followed by captive insurance companies in carrying out any of the transactions described in this chapter.

**[**(j) Captive insurance companies formed as reciprocal insurers under the provisions of sections 38a-91aa to 38a-91qq, inclusive, shall have the privileges and be subject to the provisions of this title in addition to the applicable provisions of sections 38a-91aa to 38a-91qq, inclusive. In the event of a conflict between the provisions of sections 38a-91aa to 38a-91qq, inclusive, and this title, the provisions of sections 38a-91aa to 38a-91qq, inclusive, shall control.

(k) The articles of incorporation or bylaws of a captive insurance company formed as a corporation may authorize a quorum of its board of directors to consist of no fewer than one-third of the fixed or prescribed number of directors.

(l) The subscribers' agreement or other organizing document of a

captive insurance company formed as a reciprocal insurer may authorize a quorum of its subscribers' advisory committee to consist of no fewer than one-third of the number of its members.**]**

Sec. 61. Section 38a-91gg of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2012*):

(a) Captive insurance companies shall not be required to make any annual report except as provided in sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act.

(b) (1) (A) Prior to March first of each year and, in the case of pure captive insurance companies and industrial insured captive insurance companies, prior to March fifteenth of each year, each captive insurance company other than a branch captive insurance company shall submit to the Insurance Commissioner a report of its financial condition verified by oath of two of its executive officers. The commissioner shall establish the form and content of the annual report to be filed by special purpose captive insurance companies.

(B) In the case of branch captive insurance companies, prior to March first of each year, each such company shall submit to the commissioner a copy of all reports and statements required to be filed under the laws of the jurisdiction in which the alien captive insurance company is formed. Such reports and statements shall be verified by oath of two of its executive officers. If the commissioner is satisfied that the annual report filed by the alien captive insurance company in its domiciliary jurisdiction provides adequate information concerning the financial condition of the alien captive insurance company, the commissioner may waive the requirement for completion of the captive annual statement for business written in the alien jurisdiction.

(2) (A) Each captive insurance company other than a special

purpose financial captive insurance company shall report using generally accepted accounting principles, unless the commissioner requires, approves or accepts the use of statutory accounting principles or other comprehensive basis of accounting, with any appropriate or necessary modifications or adaptations required or approved or accepted by the commissioner for the type of insurance and kinds of insurers to be reported upon, and as supplemented by additional information required by the commissioner. Except as otherwise provided, each association captive insurance company and each risk retention group shall file its report in the form required by sections 38a-53 and 38a-53a. The commissioner may adopt regulations, in accordance with chapter 54, to establish the manner in which pure captive insurance companies and industrial insured captive insurance companies shall report. The provisions of subsection (b) of section 38a-69a shall apply to each report filed pursuant to this section.

(B) Each special purpose financial captive insurance company shall report using statutory accounting principles, unless the commissioner requires, approves or accepts the use of generally accepted accounting principles or other comprehensive basis of accounting, with any appropriate or necessary modifications or adaptations required or approved or accepted by the commissioner and as supplemented by additional information required by the commissioner.

(c) (1) Any pure captive insurance company or industrial insured captive insurance company may make written application to the commissioner for approval to file the required report at the end of **[**the**]** its fiscal year. If the commissioner grants approval for such alternative reporting date:

**[**(1)**]** (A) The annual report shall be due **[**sixty**]** not later than seventy-five days after the end of **[**the**]** its fiscal year; and

**[**(2)**]** (B) In order to provide sufficient detail to support the premium

tax return, the pure captive insurance company or industrial insured captive insurance company shall file prior to March **[**first**]** fifteenth of each year for each calendar year-end such information as the commissioner may prescribe, verified by oath of two of its executive officers.

(2) Any branch captive insurance company may make written application to the commissioner for approval to file the required reports and statements at the end of its fiscal year. If the commissioner grants approval for such alternative reporting date, the reports and statements shall be due not later than sixty days after the end of its fiscal year.

(3) Any special purpose financial captive insurance company may make written application to the commissioner for approval to file the required report at the end of its fiscal year. If the commissioner grants approval for such alternative reporting date, the commissioner shall establish the content of any additional filing required from such company.

Sec. 62. Section 38a-91hh of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2012*):

(a) (1) At least once every **[**five**]** three years, and additionally whenever the Insurance Commissioner determines it to be prudent, the commissioner or the commissioner's designee shall visit each captive insurance company and thoroughly inspect and examine its affairs to ascertain its financial condition, its ability to fulfill its obligations and whether it has complied with the provisions of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act and any applicable provisions of this title. The commissioner may extend the three-year period to five years, provided a captive insurance company is subject to a comprehensive annual audit during such period by independent

auditors approved by the commissioner and of a scope satisfactory to the commissioner.

(2) The examination of a branch captive insurance company pursuant to this section shall be of branch business and branch operations only, so long as the branch captive insurance company provides annually to the commissioner a certificate of compliance or its equivalent, issued by or filed with the licensing authority of the jurisdiction in which the branch captive insurance company is formed, and demonstrates to the commissioner's satisfaction that it is operating in sound financial condition in accordance with all applicable laws and regulations of such jurisdiction.

(b) In scheduling and determining the nature, scope and frequency of such examinations, the commissioner shall consider such matters as the results of financial statement analyses and ratios, changes in management or ownership, actuarial opinions, reports of independent certified public accountants, and such other criteria as set forth in the examiners' handbook adopted by the National Association of Insurance Commissioners and in effect at the time the commissioner exercises discretion under this section.

(c) (1) To carry out examinations under this section, the commissioner may appoint as examiners one or more competent persons, not officers of or **[**connected**]** affiliated with or interested in any insurance company, other than as a policyholder. The commissioner may engage the services of attorneys, appraisers, independent actuaries, independent certified public accountants, or other professionals and specialists to assist in conducting the examinations under this section as examiners, the cost of which shall be borne by the company which is the subject of the examination. Notwithstanding the provisions of this subdivision, no domestic captive insurance company subject to examination under this section shall pay, as costs associated with the examination, the salaries, fringe

benefits, traveling and maintenance expenses of examining personnel of the Insurance Department engaged in such examination if such domestic company is otherwise liable to assessment levied under section 38a-47, except that such company shall pay the traveling and maintenance expenses of examining personnel of the department when such company is examined outside the state.

(2) In conducting the examination, the commissioner, the commissioner's actuary or any examiner authorized by the commissioner may examine, under oath, the officers and agents of such a company and all persons deemed to have material information regarding the company's property or business. Each such company, its officers and agents shall produce the books and papers, in its or their possession, relating to its business or affairs, and any other person may be required to produce any book or paper, in his custody, deemed to be relevant to such examination for the inspection of the commissioner, the commissioner's actuary or examiners, when required. The officers and agents of the company shall facilitate the examination and aid the examiners in making the same so far as it is in their power to do so. The refusal of any company by its officers, directors, employees or agents to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension of, or revocation of or nonrenewal of any license or authority held by the company to engage in an insurance or other business subject to the commissioner's jurisdiction. Any such proceedings for suspension, revocation or nonrenewal of any license or authority shall be conducted pursuant to section 38a-91ii, as amended by this act.

(3) In conducting the examination, the examiner shall observe those guidelines and procedures set forth in the examiners' handbook adopted by the National Association of Insurance Commissioners. The commissioner may also adopt such other guidelines or procedures as

the commissioner may deem appropriate.

(d) (1) Nothing contained in this section shall be construed to limit the commissioner's authority to terminate or suspend any examination in order to pursue legal or regulatory action pursuant to the insurance laws of this state. Findings of fact and conclusions made pursuant to any examination shall be prima facie evidence in any legal or regulatory action.

(2) Nothing contained in this section shall be construed to limit the commissioner's authority in such legal or regulatory action to use and, if appropriate, to make public any final or preliminary examination report, any examiner or company workpapers or other documents, or any other information discovered or developed during the course of any examination.

(3) Not later than sixty days after completion of the examination, the examiner in charge shall file, under oath, with the Insurance Department a verified written report of examination. Upon receipt of the verified report, the Insurance Department shall transmit the report to the company examined, together with a notice which shall afford the company examined a reasonable opportunity, not to exceed thirty days, to make a written submission or rebuttal with respect to any matters contained in the examination report. Not later than thirty days after the period allowed for the receipt of written submissions or rebuttals, the commissioner shall fully consider and review the report, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers and enter an order: (A) Adopting the examination report as filed or with modification or corrections. If the examination report reveals that the company is operating in violation of any law, regulation or prior order of the commissioner, the commissioner may order the company to take any action the commissioner considers necessary and appropriate to cure such violation; or (B) rejecting the examination report with directions

to the examiners to reopen the examination for purposes of obtaining additional data, documentation or information, and refiling pursuant to subparagraph (A) of this subdivision; or (C) calling for an investigatory hearing with no less than twenty days notice to the company for purposes of obtaining additional documentation, data, information and testimony.

(e) (1) All orders entered pursuant to subdivision (3) of subsection (d) of this section shall be accompanied by findings and conclusions resulting from the commissioner's consideration and review of the examination report, relevant examiner workpapers and any written submissions or rebuttals. The findings and conclusions, which form the basis of any such order of the commissioner, shall be subject to review as provided in section 38a-19.

(2) Any investigatory hearing conducted under subparagraph (C) of subdivision (3) of subsection (d) of this section by the commissioner or authorized representative shall be conducted as a nonadversarial confidential investigatory proceeding as necessary for the resolution of any inconsistencies, discrepancies or disputed issues apparent (A) upon the filed examination report, (B) raised by or as a result of the commissioner's review of relevant workpapers, or (C) by the written submission or rebuttal of the company. Not later than twenty days after conclusions of any such hearing, the commissioner shall enter an order pursuant to subparagraph (A) of subdivision (3) of subsection (d) of this section. The commissioner shall not appoint an examiner as an authorized representative to conduct the hearing. The hearing shall proceed expeditiously with discovery by the company limited to the examiner's workpapers which tend to substantiate any assertions set forth in any written submission or rebuttal. The commissioner or the commissioner's authorized representative may issue subpoenas for the attendance of any witnesses or the production of any documents deemed relevant to the investigation whether under the control of the

department, the company or other persons. The documents produced shall be included in the record and testimony taken by the commissioner or the commissioner's authorized representative shall be under oath and preserved for the record. Nothing contained in this section shall require the department to disclose any information or records which would indicate or show the existence or content of any investigation or activity of a criminal justice agency. The hearing shall proceed with the commissioner or the commissioner's authorized representative posing questions to the persons subpoenaed. Thereafter the company and the Insurance Department may present testimony relevant to the investigation. Cross-examination shall be conducted only by the commissioner or the commissioner's authorized representative. The company and the Insurance Department shall be permitted to make closing statements and may be represented by counsel of their choice.

(f) The commissioner may, if the commissioner deems it in the public interest, publish any such report or the result of any such examination contained in such report in one or more newspapers of the state.

(g) Nothing contained in this section shall prevent or be construed as prohibiting the commissioner from disclosing the content of an examination report, preliminary examination report or results, or any matter relating to such report to (1) **[**the Insurance Department**]** insurance regulatory officials of this or any other state or country, (2) law enforcement officials of this or any other state, or (3) any agency of this or any other state or of the federal government at any time, **[**so long as**]** provided such agency or office receiving the report or matters relating to such report agrees, in writing, that such documents shall be confidential.

(h) All **[**working papers**]** workpapers, recorded information, documents and copies thereof produced by, obtained by or disclosed

to the commissioner or any other person in the course of an examination made under this section shall (1) be confidential, (2) not be subject to subpoena, and (3) not be made public by the commissioner or any other person, except to the extent provided in subsection (g) of this section. Access to such information may be granted by the commissioner to the National Association of Insurance Commissioners, so long as it agrees, in writing, that such information shall be confidential.

(i) (1) The commissioner may engage the services of, from time to time, on an individual basis, qualified actuaries, certified public accountants or other similar individuals who are independently practicing their professions, even though such persons may, from time to time, be similarly employed or retained by persons subject to examination under this section.

(2) No cause of action shall arise nor shall any liability be imposed against the commissioner, the commissioner's authorized representatives or any examiner appointed by the commissioner for any statements made or conduct performed in good faith while carrying out the provisions of this section.

(3) No cause of action shall arise, nor shall any liability be imposed, against any person for the act of communicating or delivering information or data to the commissioner or the commissioner's authorized representative examiner pursuant to an examination made under this section, if such act of communication or delivery was performed in good faith and without fraudulent intent or the intent to deceive.

(4) This section does not abrogate or modify in any way any common law or statutory privilege or immunity heretofore enjoyed by any person identified in subdivision (2) of this subsection.

(5) A person identified in subdivision (2) of this subsection shall be entitled to an award of attorney's fees and costs if he is the prevailing party in a civil cause of action for libel, slander or any other relevant tort arising out of activities in carrying out the provisions of this section and the party bringing the action was not substantially justified in doing so. For purposes of this section, a proceeding is "substantially justified" if it had a reasonable basis in law or fact at the time that it was initiated.

Sec. 63. Section 38a-91ii of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2012*):

(a) (1) The commissioner may, at any time, for cause, suspend, revoke or refuse to renew any license of a captive insurance company, or in lieu of or in addition to suspension or revocation of such license, the commissioner, after reasonable notice to and hearing of any holder of such license, may impose a fine not to exceed ten thousand dollars. Such hearings may be held by the commissioner or any person designated by the commissioner. For purposes of this subsection, cause for such administrative action shall include, but not be limited to, the following reasons: (A) Insolvency or impairment of capital or surplus; (B) failure to meet the requirements of section 38a-91dd, as amended by this act; (C) refusal or failure to submit an annual report, as required by section 38a-91gg, as amended by this act, or any other report or statement required by law or by lawful order of the commissioner; (D) failure to comply with the provisions of its own charter, bylaws or other organizational document; (E) failure to submit to or pay the cost of examination or any legal obligation relative thereto; (F) use of methods that, although not otherwise specifically prohibited by law, nevertheless render its operation detrimental or its condition unsound with respect to the public or to its policyholders; or (G) failure otherwise to comply with the laws of this state.

**[**(b)**]** (2) Any captive insurance company aggrieved by the action of

the commissioner in suspending, revoking or refusing to renew a license or in imposing a fine may appeal therefrom, in accordance with the provisions of section 4-183, except venue for such appeal shall be in the judicial district of New Britain. Appeals under this section shall be privileged in respect to the order of trial assignment.

(1) (A) The commissioner shall notify a special purpose financial captive insurance company not less than thirty days before suspending, revoking or refusing to renew its license. Such notice shall state the basis for such suspension, revocation or refusal to renew and the date of the hearing; and

(B) No prior notice or hearing shall be required if the grounds for suspension, revocation or refusal to renew of a special purpose financial captive insurance company's license relate primarily to the financial condition or soundness of such company or to a deficiency in its assets.

(2) The commissioner may amend or modify the license of a special purpose financial captive insurance company only if:

(A) The special purpose financial captive insurance company consents to such amendment or modification; or

(B) The commissioner makes a showing of clear and convincing evidence demonstrating that such amendment or modification is necessary to avoid irreparable harm to the special purpose financial captive insurance company or to the ceding insurer.

Sec. 64. Subsection (a) of section 38a-91jj of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2012*):

(a) Association captive insurance companies and risk retention groups shall comply with the investment requirements in this chapter,

as applicable. Notwithstanding any other provision of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act, the commissioner may approve the use of alternative reliable methods of valuation and rating.

Sec. 65. Subsection (c) of section 38a-91kk of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2012*):

(c) For purposes of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act, insurance by a captive insurance company of any workers' compensation qualified self-insured plan of its parent and affiliates shall be deemed to be reinsurance.

Sec. 66. Section 38a-91nn of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2012, and applicable to calendar years commencing on or after January 1, 2012*):

(a) Each captive insurance company shall pay to the Commissioner of Revenue Services, **[**in the month of February**]** on or before March first of each year, a tax at the rate of (1) thirty-eight hundredths of one per cent on the first twenty million dollars, **[**and**]** (2) two hundred eighty-five thousandths of one per cent on the next twenty million dollars, **[**and**]** (3) nineteen hundredths of one per cent on the next twenty million dollars, and (4) seventy-two thousandths of one per cent on each dollar thereafter, on the direct premiums collected or contracted for on policies or contracts of insurance written by the captive insurance company during the year ending December thirty-first next preceding, after deducting from the direct premiums subject to the tax the amounts paid to policyholders as return premiums which shall include dividends on unabsorbed premiums or premium deposits returned or credited to policyholders, except that no tax shall be due or payable as to considerations received for annuity contracts.

(b) Each captive insurance company shall pay to the Commissioner of Revenue Services, in the month of March of each year, a tax at the rate of (1) two hundred fourteen thousandths of one per cent on the first twenty million dollars, (2) one hundred forty-three thousandths of one per cent on the next twenty million dollars, (3) forty-eight thousandths of one per cent on the next twenty million dollars, and (4) twenty-four thousandths of one per cent on each dollar thereafter, on assumed reinsurance premiums collected or contracted for on policies or contracts of insurance written by the captive insurance company during the year ending December thirty-first next preceding, provided no tax under this subsection shall apply to premiums for risks or portions of risks that are subject to taxation on a direct basis pursuant to subsection (a) of this section. No tax under this subsection shall be payable in connection with the receipt of assets in exchange for the assumption by a captive insurance company of loss reserves and other liabilities of another insurer under common ownership and control, if such transaction is part of a plan to discontinue the operations of such other insurer and if the intent of the parties to such transaction is to renew or maintain such business with the captive insurance company.

**[**(b)**]** (c) (1) The annual minimum aggregate tax to be paid by a captive insurance company, other than a sponsored captive insurance company, calculated under subsection (a) of this section shall be seven thousand five hundred dollars, and the annual maximum aggregate tax calculated under subsections (a) and (b) of this section shall be two hundred thousand dollars. In the case of a branch captive insurance company, the annual aggregate tax to be paid by such company shall apply only to the branch business of such company.

(2) In the case of a sponsored captive insurance company, the annual minimum aggregate tax to be paid by a sponsored captive insurance company shall be seven thousand five hundred dollars and shall apply to such company as a whole and not to each protected cell.

The annual maximum tax to be paid by a sponsored captive insurance company shall be the aggregate tax liability, calculated under subsection (a) of this section, of each protected cell.

**[**(c) A captive insurance company failing to file returns as required in this section or failing to pay within the time required all taxes assessed by this section shall be subject to penalty under section 12-229.**]**

(d) The provisions of sections 12-204, 12-204d, 12-204g and 12-205 to 12-208, inclusive, shall apply to the provisions of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act, in the same manner and with the same force and effect as if the language of said sections 12-204, 12-204d, 12-204g and 12-205 to 12-208, inclusive, had been incorporated in full into this section and had expressly referred to the tax due under this section, except to the extent that any such language is inconsistent with a provision of said sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act.

**[**(d) Two**]** (e) (1) Except as specified in subsection (c) of this section and subdivision (2) of this subsection, two or more captive insurance companies under common ownership and control shall be taxed as though they were a single captive insurance company.

(2) Special purpose financial captive insurance companies shall not be consolidated with other captive insurance companies that are not special purpose financial captive insurance companies for purposes of calculating the tax due under this section.

**[**(e)**]** (f) For the purposes of this section, **[**common**]** (1) "common ownership and **[**control**]** control" means ownership and control of two or more captive insurance companies by the same person or group of persons, and (2) "ownership and control" means:

**[**(1)**]** (A) In the case of stock **[**corporations**]** insurers, the direct or indirect ownership of eighty per cent or more of the outstanding voting stock of **[**two or more corporations by the same shareholder or shareholders**]** the insurer; **[**and**]**

**[**(2)**]** (B) In the case of mutual or nonprofit corporations, the direct or indirect ownership of eighty per cent or more of the surplus and the voting power of **[**two or more corporations by the same member or members**]** the corporation;

(C) In the case of limited liability companies, the direct or indirect ownership of eighty per cent or more of the membership interests in the company; and

(D) In the case of sponsored captive insurance companies, a protected cell shall be treated as a separate captive insurance company owned and controlled by the protected cell's participants.

**[**(f)**]** (g) (1) The tax provided for in this section shall constitute all taxes collectible under the laws of this state from any captive insurance company, and no other occupation tax or other taxes shall be levied or collected from any captive insurance company by the state or any county, city or municipality within this state, except sales and use taxes and ad valorem taxes on real and personal property used in the production of income.

**[**(g)**]** (2) The tax provided for in this section shall be calculated on an annual basis, notwithstanding policies or contracts of insurance or contracts of reinsurance issued on a multiyear basis. In the case of multiyear policies or contracts, the premium shall be prorated for purposes of determining the tax under this section.

(3) A captive insurance company may claim a nonrefundable tax credit of seven thousand five hundred dollars against the aggregate tax imposed under this section for the first calendar year on or after

January 1, 2012, in which the company has liability under this section. The Commissioner of Revenue Services shall prescribe the form and manner in which such tax credit may be claimed.

(h) (1) There is established an account to be known as the "Captive Insurance Regulatory and Supervision account" which shall be a separate, nonlapsing account within the Insurance Fund established under section 38a-52a. The account shall contain any moneys required by law to be deposited in the account. Moneys in the account shall be expended by the commissioner for the purposes of funding staff positions and other reasonable expenses related to the regulation of captive insurance companies.

(2) (A) All fees and assessments relating to captive insurance companies received by the Insurance Department shall be deposited in the account.

(B) The Comptroller shall transfer annually to the account eleven per cent of the tax collected pursuant to this section.

(3) The Comptroller may transfer from the account, with the approval of the Secretary of the Office of Policy and Management, an amount equivalent to not more than two per cent of the tax collected pursuant to this section, to the Department of Economic and Community Development for reasonable expenses incurred to promote the captive insurance industry in this state. The Department of Economic and Community Development may also utilize the transferred moneys to collaborate with other entities to promote the captive insurance industry in this state.

(4) No payment for the maintenance of staff or associated expenses, including contractual services as necessary, shall be disbursed until the commissioner receives proper documentation regarding services rendered and expenses incurred. The commissioner shall establish the

form and manner of such documentation.

(5) Any balance remaining in the account at the end of any fiscal year shall be carried forward in the account for the fiscal year next succeeding.

Sec. 67. Section 38a-91oo of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2012*):

Unless otherwise provided in sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act, no provision of this title shall apply to captive insurance companies, unless expressly included therein, except for the following: Sections 38a-8, 38a-16, 38a-17, 38a-54 to 38a-57, inclusive, 38a-59, 38a-69a, 38a-73, 38a-129 to 38a-140, inclusive, and 38a-250 to 38a-266, inclusive, **[**38a-903 to 38a-961, inclusive, and 38a-962 to 38a-962j, inclusive**]** and chapter 704c.

Sec. 68. Section 38a-91pp of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2012*):

(a) An association captive insurance company, risk retention group or industrial insured captive insurance company formed as a stock insurer or mutual corporation may be converted to or merged with and into a reciprocal insurer in accordance with a plan for such conversion or merger and the provisions of this section.

(b) Any plan for such conversion or merger shall provide a fair and equitable plan for purchasing, retiring or otherwise extinguishing the interests of the stockholders and policyholders of a stock insurer, and the members and policyholders of a mutual **[**insurer**]** corporation, including a fair and equitable provision for the rights and remedies of dissenting stockholders, members or policyholders.

(c) In the case of a conversion authorized under subsection (a) of

this section:

(1) Such conversion shall be accomplished under such reasonable plan and procedure as may be approved by the commissioner, except that the Insurance Commissioner shall not approve any such plan of conversion unless such plan:

(A) Satisfies the provisions of subsection (b) of this section;

(B) Provides for a hearing, of which notice is given or to be given to the captive insurance company, its directors, officers and policyholders, and in the case of a stock insurer, its stockholders, and in the case of a mutual **[**insurer**]** corporation, its members, all of which persons shall be entitled to attend and appear at such hearing, except that if notice of a hearing is given and no director, officer, policyholder, member or stockholder requests a hearing, the commissioner may cancel such hearing;

(C) Provides a fair and equitable plan for the conversion of stockholder, member or policyholder interests into subscriber interests in the resulting reciprocal insurer, substantially proportionate to the corresponding interests in the stock insurer or mutual **[**insurer**]** corporation, except that such plan shall not preclude the resulting reciprocal insurer from applying underwriting criteria that could affect ongoing ownership interests; and

(D) Is approved:

(i) In the case of a stock insurer, by a majority of the shares entitled to vote represented in person or by proxy at a duly called regular or special meeting at which a quorum is present; and

(ii) In the case of a mutual **[**insurer**]** corporation, by a majority of the voting interests of policyholders represented in person or by proxy at a duly called regular or special meeting thereof at which a quorum is

present;

(2) The commissioner shall approve such plan of conversion if the commissioner finds that the conversion will promote the general good of the state in conformity with those standards set forth in subdivision (2) of subsection **[**(d)**]** (g) of section 38a-91ff, as amended by this act;

(3) If the commissioner approves the plan, the commissioner shall amend the converting insurer's certificate of authority to reflect conversion to a reciprocal insurer and issue such amended certificate of authority to the company's attorney-in-fact;

(4) The conversion shall be effective upon the issuance of an amended certificate of authority of a reciprocal insurer by the commissioner; and

(5) Upon the effective date of such conversion the corporate existence of the converting insurer shall cease and the resulting reciprocal insurer shall notify the Secretary of the State of such conversion.

(d) A merger authorized under subsection (a) of this section shall be accomplished substantially in accordance with the procedures set forth in this chapter, except that, solely for purposes of such merger:

(1) The plan of merger shall satisfy the provisions of subsection (b) of this section;

(2) The subscribers' advisory committee of a reciprocal insurer shall be equivalent to the board of directors of a stock insurer or mutual **[**insurance company**]** corporation;

(3) The subscribers of a reciprocal insurer shall be the equivalent of the policyholders of a mutual **[**insurance company**]** corporation;

(4) If a subscribers' advisory committee does not have a president or

secretary, the officers of such committee having substantially equivalent duties shall be deemed the president or secretary of such committee;

(5) The commissioner shall approve the articles of merger if the commissioner finds that the merger will promote the general good of the state in conformity with those standards set forth in subdivision (2) of subsection **[**(d)**]** (g) of section 38a-91ff, as amended by this act. If the commissioner approves the articles of merger, the commissioner shall endorse the commissioner's approval thereon and the surviving insurer shall present the articles of merger to the Secretary of the State at the Secretary of the State's office;

(6) Notwithstanding section 38a-91dd, as amended by this act, the commissioner may permit the formation, without surplus, of a captive insurance company organized as a reciprocal insurer, into which an existing captive insurance company may be merged for the purpose of facilitating a transaction under this section, except that there shall be no more than one authorized insurance company surviving such merger; and

(7) An alien insurer may be a party to a merger authorized under subsection (a) of this section, except that the requirements for a merger between a domestic and a foreign insurer under this chapter shall apply to a merger between a domestic and an alien insurer under this subsection. Such alien insurer shall be treated as a foreign insurer under this chapter and such other jurisdictions shall be the equivalent of a state for purposes of this chapter.

(e) The commissioner may permit the formation of a captive insurance company that is established for the sole purpose of merging or consolidating with, or assuming existing insurance or reinsurance business from, an existing captive insurance company or, subject to such conditions as the commissioner may impose that are not

inconsistent with this chapter, any existing captive insurance company organized in any other jurisdiction. Upon request of such newly formed captive insurance company, the commissioner may waive or modify the requirements of subparagraph (B) of subdivision (1) of subsection (c) of section 38a-91bb, as amended by this act, and subdivision (2) of subsection (c) of section 38a-91bb, as amended by this act.

**[**(e)**]** (f) A conversion or merger under this section shall have the effects of conversion or merger set forth in this chapter to the extent such effects are not inconsistent with the provisions of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act.

Sec. 69. Section 38a-91qq of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2012*):

The Insurance Commissioner may adopt regulations, in accordance with chapter 54, as are necessary to carry out the provisions of sections 38a-91aa to 38a-91qq, inclusive, as amended by this act, and sections 70 to 72, inclusive, of this act, and to establish standards to ensure that a parent or affiliated company is able to exercise control of the risk management function of any controlled unaffiliated business to be insured by **[**the**]** a pure captive insurance company, except that until such regulations are approved, the commissioner may approve the coverage of such risks by a pure captive insurance company.

Sec. 70. (NEW) (*Effective July 1, 2012*) (a) Each sponsored captive insurance company may establish and maintain one or more protected cells, subject to the following conditions:

(1) The stockholders of a sponsored captive insurance company shall be limited to its participants and sponsors, except that a sponsored captive insurance company may issue nonvoting securities

to other persons on terms approved by the commissioner;

(2) Each sponsored captive insurance company shall account separately on the books and records of such company for each protected cell to reflect the financial condition and results of operations of such protected cell, net income or loss, dividends or other distributions to participants and such other factors as may be provided in the participant contract or required by the commissioner;

(3) No liabilities arising out of any other insurance business the sponsored captive insurance company may conduct shall be chargeable against the assets of a protected cell;

(4) No sponsored captive insurance company shall make any sale, exchange or other transfer of assets, dividend or distribution between or among any of its protected cells without the consent of such protected cells;

(5) No protected cell shall make any sale, exchange or other transfer of assets, dividend or distribution to a sponsor or participant without the commissioner's approval. The commissioner shall not approve such sale, exchange or other transfer if it would result in insolvency or impairment with respect to a protected cell;

(6) (A) Except as otherwise specified, each sponsored captive insurance company shall attribute assets and liabilities to the protected cells and the general account in accordance with the plan of operation approved by the commissioner, and shall not attribute any other assets or liabilities between its general account and any protected cell or between any protected cells. For purposes of this subdivision, "general account" means all assets and liabilities of a sponsored captive insurance company that are not attributable to a protected cell.

(B) Each sponsored captive insurance company shall attribute all insurance obligations, assets and liabilities relating to a reinsurance

contract entered into with respect to a protected cell to such protected cell. The performance under such reinsurance contract and any tax benefits, losses, refunds or credits allocated pursuant to a tax allocation agreement to which the sponsored captive insurance company is a party, including any payments made by or due to be made to the sponsored captive insurance company pursuant to the terms of such agreement, shall reflect such obligations, assets and liabilities relating to such reinsurance contract;

(7) In connection with the conservation, rehabilitation or liquidation of a sponsored captive insurance company, such company shall, to the extent the commissioner determines they are separable, keep the assets and liabilities of a protected cell separate at all times from, and shall not commingle with, those of other protected cells and of the sponsored captive insurance company;

(8) Each sponsored captive insurance company shall file annually with the commissioner such financial reports as the commissioner shall require, including, but not limited to, accounting statements detailing the financial experience of each protected cell;

(9) Each sponsored captive insurance company shall notify the commissioner in writing not later than ten business days after any protected cell becomes insolvent or otherwise unable to meet its claim or expense obligations;

(10) No participant contract shall take effect without the commissioner's prior written approval. The addition of each new protected cell or the withdrawal of any participant or termination of any existing protected cell shall constitute a change in the sponsored captive insurance company's plan of operation and shall require the commissioner's prior written approval;

(11) If required by the commissioner, the business written by a

sponsored captive insurance company with respect to each protected cell shall be (A) fronted by an insurance company licensed under the laws of any state, (B) reinsured by a reinsurer authorized or approved by this state, or (C) secured by a trust fund in the United States for the benefit of policyholders and claimants or funded by an irrevocable letter of credit or other arrangement that is acceptable to the commissioner. The commissioner may require the sponsored captive to increase the funding of any security arrangement established under this subdivision. If the form of security is a letter of credit, the letter of credit shall be issued or confirmed by a bank approved by the commissioner. A trust maintained pursuant to this subdivision shall be established in a form and upon such terms approved by the commissioner.

(b) Each sponsored captive insurance company may combine the assets of two or more protected cells for purposes of investment and such combination shall not be construed as defeating the segregation of such assets for accounting or other purposes. Each sponsored captive insurance company shall comply with all applicable investment requirements under chapter 698 of the general statutes, except that the commissioner shall waive compliance with such requirements for sponsored captive insurance companies to the extent that credit for reinsurance ceded to reinsurers is allowed pursuant to section 38a-91kk of the general statutes, as amended by this act. The commissioner may approve the use of alternative reliable methods of valuation and rating for purposes of this subsection.

(c) Each sponsored captive insurance company, including a sponsored captive insurance company licensed as a special purpose financial captive insurance company, may establish and maintain one or more protected cells as a separate corporation formed under chapter 601 of the general statutes or a limited liability company formed under chapter 613 of the general statutes. This section shall not be construed

to limit any rights or protections applicable to protected cells not established as corporations or limited liability companies.

(d) (1) Each sponsored captive insurance company may establish and maintain a protected cell as an incorporated protected cell.

(2) The articles of incorporation or articles of organization of an incorporated protected cell shall refer to the sponsored captive insurance company for which it is a protected cell and shall state that the protected cell is incorporated or organized for the limited purposes authorized by the sponsored captive insurance company's license. Such company shall attach to and file with the articles of incorporation or articles of organization a copy of the commissioner's prior written approval, as required by subdivision (10) of subsection (a) of this section, to add the incorporated protected cell.

(e) Notwithstanding the provisions of chapter 704c of the general statutes:

(1) If the commissioner determines in the event of an insolvency of a sponsored captive insurance company that one or more protected cells remain solvent, the commissioner may separate such cells from such company and may, on application of a sponsor, allow for the conversion of such cells into one or more new or existing sponsored captive insurance companies with a sponsor or sponsors, or one or more other captive insurance companies, pursuant to such plan or plans of operation as the commissioner deems acceptable;

(2) Upon the issuance by a court of any order of supervision, rehabilitation or liquidation of a sponsored captive insurance company, the receiver shall manage the assets and liabilities of such company in accordance with the provisions of this section;

(3) The assets of a protected cell shall not be used to pay any expenses or claims other than those attributable to such protected cell;

and

(4) A sponsored captive insurance company's capital and surplus shall be available at all times to pay any expenses of or claims against such company.

Sec. 71. (NEW) (*Effective July 1, 2012*) (a) Not later than thirty days after the closing on the transactions for an insurance securitization, a special purpose financial captive insurance company shall submit to the commissioner a copy of a complete set of executed documentation of such securitization. Any documentation submitted pursuant to this subsection shall be kept confidential in accordance with the provisions of subdivision (6) of subsection (c) of section 38a-91bb of the general statutes, as amended by this act.

(b) Any change in the special purpose financial captive insurance company's plan of operation shall require prior approval from the commissioner.

(c) Any transaction or series of transactions shall require prior approval from the commissioner if such transaction or series of transactions (1) are undertaken to dissolve a special purpose financial captive insurance company, or (2) result in the termination of all or any part of a special purpose financial captive insurance company's business, except that no prior approval from the commissioner shall be required for any such transaction or series of transactions if such transaction or series of transactions are done in accordance with a document or agreement described in the special purpose financial captive insurance company's plan of operation and if the commissioner is notified in advance of such transaction or series of transactions.

(d) A special purpose financial captive insurance company shall notify the commissioner in advance of any change in the legal

ownership of any special purpose financial captive insurance company security.

(e) A special purpose financial captive insurance company may:

(1) With the prior approval of the commissioner, account for the proceeds of a surplus note issued by such company as surplus; and

(2) Submit for the prior approval of the commissioner periodic written requests for authorization to make payments of interest on and repayments of principal of surplus notes and other debt obligations issued by such company. The commissioner shall not approve such payment if the commissioner determines that such payment would jeopardize the ability of the special purpose financial captive insurance company or any other person to fulfill their respective obligations pursuant to the special purpose financial captive insurance company securitization agreements, the reinsurance contract or any related transaction. In lieu of approval of such periodic written requests, the commissioner may approve a formula or plan, which shall be included in the special purpose financial captive insurance company's plan of operation, for payment of interest, principal or both with respect to such surplus notes and debt obligations.

(f) No special purpose financial captive insurance company security shall be subject to regulation as an insurance or reinsurance contract. No investor in such a security or a holder of such a security shall be considered to be transacting the business of insurance in this state solely by reason of having an interest in the security. No underwriter's placement or selling agents and their partners, commissioners, officers, members, managers, employees, agents, representatives and advisors involved in an insurance securitization by a special purpose financial captive insurance company shall be considered to be insurance producers or brokers or to be conducting business as an insurance or reinsurance company or as an insurance agency, brokerage,

intermediary, advisory or consulting business solely by virtue of their underwriting activities in connection with such securitization.

(g) (1) A special purpose financial captive insurance company shall reinsure only the risks of a ceding insurer, pursuant to a reinsurance contract. A special purpose financial captive insurance company shall not issue a contract of insurance or a contract for assumption of risk or indemnification of loss other than such reinsurance contract.

(2) Unless approved otherwise in advance by the commissioner, a special purpose financial captive insurance company shall not assume or retain exposure to insurance or reinsurance losses for its own account that are not funded by:

(A) Proceeds from a special purpose financial captive insurance company securitization or letters of credit or other assets described in subdivision (17) of section 38a-91aa of the general statutes, as amended by this act;

(B) Premium and other amounts payable by the ceding insurer to the special purpose financial captive insurance company pursuant to the reinsurance contract; and

(C) Any return on investment of the items under subparagraphs (A) and (B) of this subdivision.

(3) The reinsurance contract shall contain all provisions reasonably required or approved by the commissioner, which requirements shall take into account the laws applicable to the ceding insurer regarding the ceding insurer taking credit for the reinsurance provided under such reinsurance contract.

(4) A special purpose financial captive insurance company may, with the prior approval of the commissioner, cede risks assumed through a reinsurance contract to one or more reinsurers through the

purchase of reinsurance.

(5) A special purpose financial captive insurance company may enter into contracts and conduct other commercial activities related or incidental to and necessary to fulfill the purposes of the reinsurance contract, the insurance securitization, this section and section 72 of this act, provided such contracts and activities are included in the special purpose financial captive insurance company's plan of operation or are approved in advance by the commissioner. Such contracts and activities may include, but are not limited to: (A) Entering into reinsurance contracts; (B) issuing special purpose financial captive insurance company securities; (C) complying with the terms of such contracts or securities; (D) entering into trust, guaranteed investment contract, swap or other derivative, tax, administration, reimbursement, or fiscal agent transactions; (E) complying with trust indenture, reinsurance or retrocession; and (F) other agreements necessary or incidental to effect an insurance securitization.

(6) Unless approved otherwise in advance by the commissioner, a reinsurance contract shall not contain any provision for payment by the special purpose financial captive insurance company in discharge of its obligations under the reinsurance contract to any person other than the ceding insurer or any receiver of the ceding insurer.

(7) A special purpose financial captive insurance company shall notify the commissioner immediately of any action by a ceding insurer or any other person to foreclose on or otherwise take possession of collateral provided by the special purpose financial captive insurance company to secure any obligation of the special purpose financial captive insurance company.

(h) The assets of a special purpose financial captive insurance company shall be preserved and administered by or on behalf of the special purpose financial captive insurance company to satisfy the

liabilities and obligations of the special purpose financial captive insurance company incident to the reinsurance contract, the insurance securitization and other related agreements.

(i) In the special purpose financial captive insurance company securitization, the security offering memorandum or other document issued to prospective investors regarding the offer and sale of a surplus note or other security shall include a disclosure that all or part of the proceeds of such insurance securitization will be used to fund the special purpose financial captive insurance company's obligations to the ceding insurer.

(j) A special purpose financial captive insurance company shall not be subject to any restriction on investments other than the following:

(1) A special purpose financial captive insurance company shall not make a loan to any person other than as permitted under its plan of operation or as otherwise approved in advance by the commissioner; and

(2) The commissioner may prohibit or limit any investment that threatens the solvency or liquidity of the special purpose financial captive insurance company unless the investment is otherwise approved in its plan of operation or in an order issued to the special purpose financial captive insurance company pursuant to subparagraph (B) of subdivision (2) of subsection (e) of section 38a-91bb of the general statutes, as amended by this act.

(k) (1) Unless approved otherwise in advance by the commissioner, a special purpose financial captive insurance company shall (A) maintain its books, records, documents, accounts, vouchers and agreements in this state, and (B) preserve and keep available in this state such books, records, documents, accounts, vouchers and agreements for examination and inspection until such time as the

commissioner approves the destruction or other disposition of such books, records, documents, accounts, vouchers and agreements. If the commissioner approves the keeping of the items listed in this subdivision outside this state, the special purpose financial captive insurance company shall maintain in this state a complete and true copy of each such original. Such copies may be photographs, reproductions on file or electronically stored and reproduced.

(2) A special purpose financial captive insurance company shall make its books, records, documents, accounts, vouchers and agreements available for inspection by the commissioner at any time. A special purpose financial captive insurance company shall keep its books and records in such manner that its financial condition, affairs and operations can be readily ascertained and so that the commissioner may readily verify its financial statements and determine its compliance with sections 38a-91aa to 38a-91qq, inclusive, of the general statutes, as amended by this act, and sections 70 to 72, inclusive, of this act.

(l) Upon the issuance by a court of any order of conservation, rehabilitation or liquidation of a special purpose financial captive insurance company or one or more of the special purpose financial captive insurance company's protected cells, the receiver shall manage the assets and liabilities of the special purpose financial captive insurance company pursuant to the provisions of this section and section 72 of this act.

(m) Notwithstanding any provision in the contracts or other documentation governing the special purpose financial captive insurance company securitization, amounts recoverable by the receiver of a special purpose financial captive insurance company under a reinsurance contract shall not be reduced or diminished as a result of the entry of an order of conservation, rehabilitation or liquidation with respect to a ceding insurer.

(n) Notwithstanding the provisions of chapter 704c of the general statutes:

(1) An application, a petition, a temporary restraining order or an injunction issued pursuant to chapter 704c of the general statutes with respect to a ceding insurer shall not prohibit (A) a special purpose financial captive insurance company from transacting business with the ceding insurer, including making any payment with respect to a special purpose financial captive insurance company security, or (B) any action or proceeding against a special purpose financial captive insurance company or its assets;

(2) The commencement of a summary proceeding or the issuance of any order by the court with respect to a special purpose financial captive insurance company shall not prohibit such company from making payments or taking any action required to make such payments, provided such payments (A) are made pursuant to a special purpose financial captive insurance company security or reinsurance contract, and (B) are consistent with the special purpose financial captive insurance company's plan of operation and any order issued to the special purpose financial captive insurance company pursuant to subparagraph (B) of subdivision (2) of subsection (e) of section 38a-91bb of the general statutes, as amended by this act;

(3) A receiver of a ceding insurer shall not void a nonfraudulent transfer by a ceding insurer to a special purpose financial captive insurance company of money or other property made pursuant to a reinsurance contract; and

(4) A receiver of a special purpose financial captive insurance company shall not void a nonfraudulent transfer by the special purpose financial captive insurance company of money or other property:

(A) Made to a ceding insurer pursuant to a reinsurance contract or made to or for the benefit of any holder of a special purpose financial captive insurance company security with respect to the special purpose financial captive insurance company security; and

(B) Made consistent with the special purpose financial captive insurance company's plan of operation and any order issued to the special purpose financial captive insurance company pursuant to subparagraph (B) of subdivision (2) of subsection (e) of section 38a-91bb of the general statutes, as amended by this act.

(o) Except for the fulfillment of the obligations under a reinsurance contract, the assets of a special purpose financial captive insurance company, including assets held in trust, on a funds-withheld basis or in any other arrangement to secure the special purpose financial captive insurance company's obligations under a reinsurance contract, shall not be consolidated with or included in the estate of a ceding insurer in any delinquency proceeding against the ceding insurer for any purpose.

Sec. 72. (NEW) (*Effective July 1, 2012*) (a) The provisions of this section shall apply to a sponsored captive insurance company licensed as a special purpose financial captive insurance company. For purposes of this section, (1) "general account" means all assets and liabilities of a sponsored captive insurance company licensed as a special purpose financial captive insurance company not attributable to a protected cell, and (2) "special purpose financial captive insurance company" means a sponsored captive insurance company licensed as a special purpose financial captive insurance company.

(b) Unless approved otherwise in advance by the commissioner, a participant in a special purpose financial captive insurance company shall be a ceding insurer. Any change in a participant shall require the commissioner's prior approval.

(c) (1) A special purpose financial captive insurance company, on behalf of a protected cell, shall be entitled to assert the same claims and defenses in actions in law or equity as if the protected cell were a corporation established under chapter 601 of the general statutes, including, but not limited to, claims and defenses in actions at law or equity alleging alter ego, corporate veil piercing, offset, substantive consolidation, equitable subordination or recoupment.

(2) In connection with the conservation, rehabilitation or liquidation of a special purpose financial captive insurance company or one or more of its protected cells, such company shall keep the assets and liabilities of a protected cell separate at all times from, and shall not commingle with, those of other protected cells and of the special purpose financial captive insurance company. The assets of one protected cell shall not be used to satisfy the obligations or liabilities of another protected cell or of the special purpose financial captive insurance company based on legal or equitable claims or defenses including, but not limited to, alter ego, piercing the corporate veil, offset, substantive consolidation, equitable subordination or recoupment, unless such claims or defenses would apply to such protected cell if it were a special purpose finance captive insurance company without separate cells.

(d) (1) Notwithstanding subdivision (1) of subsection (a) of section 70 of this act, a special purpose financial captive insurance company may issue securities of any person approved in advance by the commissioner.

(2) (A) Any security issued by a special purpose financial captive insurance company with respect to a protected cell and any other contract or obligation of the special purpose financial captive insurance company with respect to a protected cell shall include the designation of such protected cell and shall include the following statement, or such other statement as may be required by the

commissioner:

(i) In the case of a security: "The holder of this security shall have no right or recourse against the special purpose financial captive insurance company and its assets other than against assets properly attributable to the designated protected cell and the special purpose financial captive insurance company's general account, to the extent permitted by Connecticut law."; or

(ii) In the case of a contract or obligation: "The counter party to this contract or obligation shall have no right or recourse against the special purpose financial captive insurance company and its assets other than against assets properly attributable to the designated protected cell and the special purpose financial captive insurance company's general account, to the extent permitted by Connecticut law.".

(B) The failure to include such disclosure, in whole or part, in such security, contract or obligation with respect to a protected cell shall not serve as the sole basis for a creditor, ceding insurer or any other person to have recourse against the general account of the special purpose financial captive insurance company in excess of the limitations provided under subsection (i) of this section, or against the assets of any other protected cell.

(e) In addition to the provisions of subsections (c) and (d) of section 70 of this act, a special purpose financial captive insurance company shall be subject to the following with respect to its protected cells:

(1) A special purpose financial captive insurance company shall establish a protected cell only for the purpose of insuring or reinsuring risks of one or more reinsurance contracts with a ceding insurer or two or more affiliated ceding insurers, with the intent of facilitating an insurance securitization. A separate protected cell shall be established

with respect to each separate securitization transaction; and

(2) No special purpose financial captive insurance company shall make a sale, an exchange or another transfer of assets between or among any of its protected cells without the prior approval of the commissioner.

(f) (1) Each special purposes financial captive insurance company shall attribute assets and liabilities to the protected cells and the general account in accordance with the plan of operation approved by the commissioner, and shall not attribute any other assets or liabilities between its general account and any protected cell or between any protected cells.

(2) Each special purposes financial captive insurance company shall attribute all insurance obligations, assets and liabilities relating to a reinsurance contract entered into with respect to a protected cell and the related insurance securitization transaction, including any securities issued by such company as part of the insurance securitization, to such protected cell. The rights, benefits, obligations and liabilities of any securities attributable to such protected cell and the performance under such reinsurance contract and the related securitization transaction, and any tax benefits, losses, refunds or credits allocated pursuant to a tax allocation agreement to which the special purpose financial captive insurance company is a party, including any payments made by or due to be made to the special purpose financial captive insurance company pursuant to the terms of such agreement, shall reflect such obligations, assets and liabilities relating to such reinsurance contract and the insurance securitization transaction that are attributed to such protected cell.

(g) (1) Except as otherwise specified in this section, the terms and conditions set forth in chapter 704c of the general statutes pertaining to administrative supervision of insurers and the conservation,

rehabilitation, receiverships and liquidation of insurers shall apply to a special purpose financial captive insurance company or any of such company's protected cells independently and shall not cause or otherwise effect a conservation, rehabilitation, receivership or liquidation of the special purpose financial captive insurance company or another protected cell that is not otherwise insolvent.

(2) For purposes of applying the provisions of chapter 704c of the general statutes to a special purpose financial captive insurance company, "insolvency" or "insolvent" means the special purpose financial captive insurance company (A) is unable to pay its obligations when they are due, unless those obligations are the subject of a bona fide dispute, or (B) has failed to meet all criteria and conditions for solvency of the special purpose financial captive insurance company established by the commissioner. In the case of a sponsored captive insurance company licensed as a special purpose financial captive insurance company, the definition of "insolvency" and "insolvent" shall be applied separately to each protected cell and to the special purpose financial captive insurance company's general account.

(h) (1) The commissioner may file in the Superior Court of this state, without causing or otherwise effecting the conservation or rehabilitation of an otherwise solvent protected cell of a special purpose financial captive insurance company and subject to the provisions of subparagraph (E) of subdivision (1) of subsection (k) of this section, a petition to authorize the commissioner to conserve, rehabilitate or liquidate a special purpose financial captive insurance company on one or more of the following grounds:

(A) Embezzlement, wrongful sequestration, dissipation or diversion of the special purpose financial captive insurance company's assets intended to be used to pay amounts owed to the ceding insurer or the holders of special purpose financial captive insurance company securities;

(B) The special purpose financial captive insurance company is insolvent; or

(C) The holders of a majority in outstanding principal amount of each class of special purpose financial captive insurance company securities attributable to each particular protected cell request or consent to conservation, rehabilitation or liquidation.

(2) The commissioner may file in the Superior Court of this state, without causing or otherwise effecting a conservation, rehabilitation, receivership or liquidation of the special purpose financial captive insurance company generally or another of its protected cells, a petition to authorize the commissioner to conserve, rehabilitate or liquidate one or more of a special purpose financial captive insurance company's protected cells, independently, on one or more of the following grounds:

(A) Embezzlement, wrongful sequestration, dissipation or diversion of the special purpose financial captive insurance company's assets attributable to the affected protected cell or cells intended to be used to pay amounts owed to the ceding insurer or the holders of special purpose financial captive insurance company securities of the affected protected cell or cells;

(B) The affected protected cell is insolvent; or

(C) The holders of a majority in outstanding principal amount of each class of special purpose financial captive insurance company securities attributable to that particular protected cell request or consent to conservation, rehabilitation or liquidation.

(3) Except where consent is given as described in subparagraph (C) of subdivision (1) of this subsection and subparagraph (C) of subdivision (2) of this subsection, the court may not grant relief as provided under subdivision (1) or (2) of this subsection unless, after

notice and a hearing, the commissioner, who shall have the burden of proof, establishes by clear and convincing evidence that relief must be granted. The court's order may be made in respect of one or more protected cells by name, rather than the special purpose financial captive insurance company generally.

(i) (1) Upon the issuance by a court of any order of conservation, rehabilitation, or liquidation of a special purpose financial captive insurance company or one or more of the special purpose financial captive insurance company's protected cells, the receiver shall manage the assets and liabilities of the special purpose financial captive insurance company or the applicable protected cell in accordance with the provisions of this section and section 71 of this act.

(2) The assets attributable to one protected cell shall not be applied to the liabilities attributable to another protected cell unless an asset or liability is attributable to more than one protected cell, in which case the receiver shall deal with the asset or liability in accordance with the terms of any relevant governing instrument or contract. Recourse to the special purpose financial captive insurance company's general account in connection with the conservation, rehabilitation or liquidation of a protected cell shall be limited to the greater of the amount of assets in the general account as of the date such proceeding is commenced or the required minimum capital for the general account as of the date such proceeding is commenced. The assets attributable to one protected cell shall not be set off against the liabilities attributable to another protected cell, and assets attributable to the special purpose financial captive insurance company's general account shall not be set off against the liabilities attributable to any protected cell except to the extent provided in this subdivision.

(3) Relief shall not be granted nor shall any order be issued based on equitable theories of recovery, including substantive consolidation, equitable subordination or recoupment, to attach or seize the assets of

any solvent protected cell for the benefit of another protected cell or special purpose financial captive insurance company or to pierce the corporate veil of any protected cell, in connection with the conservation, rehabilitation or liquidation of a special purpose financial captive insurance company or one or more protected cells, unless such equitable theories, attachment, seizure or corporate veil piercing would apply to such cell if it were a special purpose financial captive insurance company without separate cells.

(j) Notwithstanding any provision in the contracts or other documentation governing the special purpose financial captive insurance company insurance securitization, amounts recoverable by the receiver of a special purpose financial captive insurance company shall not be reduced or diminished as a result of the entry of an order of conservation, rehabilitation or liquidation with respect to the ceding insurer.

(k) (1) Notwithstanding the provisions of chapter 704c of the general statutes:

(A) An application, a petition, a temporary restraining order or an injunction issued pursuant to the provisions of chapter 704c of the general statutes with respect to a ceding insurer shall not prohibit (i) a special purpose financial captive insurance company from transacting business with the ceding insurer, including making any payment pursuant to a special purpose financial captive insurance company security with respect to a protected cell, or (ii) any action or proceeding against a special purpose financial captive insurance company or its assets;

(B) The commencement of a summary proceeding or other interim proceeding commenced before a formal delinquency proceeding or the issuance of any order by the court with respect to a special purpose financial captive insurance company shall not prohibit such company

from making payments or taking any action required to make such payments pursuant to a special purpose financial captive insurance company security with respect to a protected cell or a special purpose financial captive insurance company contract;

(C) A receiver of a ceding insurer shall not void a nonfraudulent transfer by a ceding insurer to a special purpose financial captive insurance company of money or other property made pursuant to a reinsurance contract;

(D) A receiver of a special purpose financial captive insurance company shall not void (i) a nonfraudulent transfer by the special purpose financial captive insurance company of money or other property made to a ceding insurer pursuant to a reinsurance contract or made to or for the benefit of any holder of a special purpose financial captive insurance company security with respect to a protected cell, or (ii) a special purpose financial captive insurance company security;

(E) (i) In the event of an insolvency of a special purpose financial captive insurance company where one or more protected cells remain solvent, the commissioner shall separate such cells from such company and shall, on application of a sponsor, allow for the conversion of such cells into one or more special purpose financial captive insurance companies. The commissioner shall issue such orders as the commissioner deems necessary to protect the solvency of the remaining solvent protected cells.

(ii) In the event of an insolvency of a protected cell, the special purpose financial captive insurance company's assets shall be accounted for and managed in accordance with subsection (i) of this section and other applicable laws of this state.

(2) The provisions of subdivision (1) of this subsection shall not

prohibit the commissioner from taking any action permitted under chapter 704c of the general statutes with respect only to the conservation or rehabilitation of a special purpose financial captive insurance company with protected cell or cells, provided the commissioner has sufficient grounds to seek to declare such company insolvent. In such case, with respect to the solvent protected cell or cells, the commissioner shall not prohibit such company from making payments or taking any action required to make such payments pursuant to a special purpose financial captive insurance company security, reinsurance contract or insurance securitization transaction that are attributable to such cell or cells.

(l) Except for the fulfillment of the obligations under a special purpose financial captive insurance company contract, the assets of a special purpose financial captive insurance company, including assets held in trust, shall not be consolidated with or included in the estate of a ceding insurer in any delinquency proceeding against the ceding insurer for any purpose.

Sec. 73. Subsection (b) of section 63 of public act 11-58 is repealed and the following is substituted in lieu thereof (*Effective July 1, 2012*):

(b) The annual license fee shall be three thousand dollars and shall be dedicated to the regulation of utilization review, except that the commissioner shall be authorized to use such funds as is necessary to (1) implement the provisions of sections 38a-91aa to 38a-91qq, inclusive, of the general statutes, <u>as amended by this act, and sections 70 to 72, inclusive, of this act,</u> and (2) contract with The University of Connecticut School of Medicine to provide any medical consultations necessary to carry out the commissioner's responsibilities under this title with respect to consumer and market conduct matters.

Sec. 74. Section 20-332 of the general statutes is amended by adding subsection (d) as follows (*Effective from passage*):

(NEW) (d) For any application submitted pursuant to section 20-333, as amended by this act, and any completed renewal application submitted pursuant to section 20-335, as amended by this act, that requires a hearing or other action by the applicable examining board, such hearing or other action by the applicable examining board shall occur not later than thirty days after the date of submission for such application or completed renewal application, as applicable.

Sec. 75. Section 20-333 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

To obtain a license under this chapter, an applicant shall have attained such applicant's eighteenth birthday and shall furnish such evidence of competency as the appropriate board, with the consent of the Commissioner of Consumer Protection, shall require. The applicant shall satisfy such board that such applicant is of good moral character, possesses a diploma or other evidence of graduation from the eighth grade of grammar school, or possesses an equivalent education to be determined on examination and has the requisite skill to perform the work in the trade for which such applicant is applying for a license and can comply with all other requirements of this chapter and the regulations adopted under this chapter. For any application submitted pursuant to this section that requires a hearing or other action by the applicable examining board, such hearing or other action by the applicable examining board shall occur not later than thirty days after the date of submission for such application. Upon application for any such license, the applicant shall pay to the department a nonrefundable application fee of ninety dollars for a license under subdivisions (2) and (3) of subsection (a) and subdivision (4) of subsection (e) of section 20-334a, or a nonrefundable application fee of one hundred fifty dollars for a license under subdivision (1) of subsection (a), subdivisions (1) and (2) of subsection (b), subdivision (1) of subsection (c) and subdivisions (1), (2) and (3) of subsection (e) of

section 20-334a. The department shall conduct such written, oral and practical examinations as the appropriate board, with the consent of the commissioner, deems necessary to test the knowledge of the applicant in the work for which a license is being sought. Any person completing the required apprentice training program for a journeyman's license under section 20-334a shall, within thirty days following such completion, apply for a licensure examination given by the department. If an applicant does not pass such licensure examination, the commissioner shall provide each failed applicant with information on how to retake the examination and a report describing the applicant's strengths and weaknesses in such examination. Any apprentice permit issued under section 20-334a to an applicant who fails three licensure examinations in any one-year period shall remain in effect if such applicant applies for and takes the first licensure examination given by the department following the one-year period from the date of such applicant's third and last unsuccessful licensure examination. Otherwise, such permit shall be revoked as of the date of the first examination given by the department following expiration of such one-year period. When an applicant has qualified for a license, the department shall, upon receipt of the license fee, issue to such applicant a license entitling such applicant to engage in the work or occupation for which a license was sought and shall register each successful applicant's name and address in the roster of licensed persons authorized to engage in the work or occupation within the appropriate board's authority. All fees and other moneys collected by the department shall be promptly transmitted to the State Treasurer as provided in section 4-32.

Sec. 76. Section 20-335 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

Any person who has successfully completed an examination for such person's initial license under this chapter shall pay to the

Department of Consumer Protection a fee of one hundred fifty dollars for a contractor's license or a fee of one hundred twenty dollars for any other such license. All such licenses shall expire annually. No person shall carry on or engage in the work or occupations subject to this chapter after the expiration of such person's license until such person has filed an application bearing the date of such person's registration card with the appropriate board. Such application shall be in writing, addressed to the secretary of the board from which such renewal is sought and signed by the person applying for such renewal. A licensee applying for renewal shall, at such times as the commissioner shall by regulation prescribe, furnish evidence satisfactory to the board that the licensee has completed any continuing professional education required under sections 20-330 to 20-341, inclusive, or any regulations adopted thereunder. The board may renew such license if the application for such renewal is received by the board no later than one month after the date of expiration of such license, upon payment to the department of a renewal fee of one hundred fifty dollars in the case of a contractor and of one hundred twenty dollars for any other such license. For any completed renewal application submitted pursuant to this section that requires a hearing or other action by the applicable examining board, such hearing or other action by the applicable examining board shall occur not later than thirty days after the date of submission for such completed renewal application. The department shall issue a receipt stating the fact of such payment, which receipt shall be a license to engage in such work or occupation. A licensee who has failed to renew such licensee's license for a period of over one year from the date of expiration of such license shall have it reinstated only upon complying with the requirements of section 20-333. All license fees and renewal fees paid to the department pursuant to this section shall be deposited in the General Fund.

Sec. 77. Section 21a-7 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

Each board or commission transferred to the Department of Consumer Protection under section 21a-6 shall have the following powers and duties:

(1) Each board or commission shall exercise its statutory functions, including licensing, certification, registration, accreditation of schools and the rendering of findings, orders and adjudications, independently of the Commissioner of Consumer Protection. The final decision of a board or commission shall be subject to judicial review as provided in section 4-183.

(2) Each board or commission may, in its discretion, issue (A) an appropriate order to any person found to be violating an applicable statute or regulation providing for the immediate discontinuance of the violation, (B) an order requiring the violator to make restitution for any damage caused by the violation, or (C) both. Each board or commission may, through the Attorney General, petition the superior court for the judicial district wherein the violation occurred, or wherein the person committing the violation resides or transacts business, for the enforcement of any order issued by it and for appropriate temporary relief or a restraining order and shall certify and file in the court a transcript of the entire record of the hearing or hearings, including all testimony upon which such order was made and the findings and orders made by the board or commission. The court may grant such relief by injunction or otherwise, including temporary relief, as it deems equitable and may make and enter a decree enforcing, modifying and enforcing as so modified, or setting aside, in whole or in part, any order of a board or commission.

(3) Each board or commission may conduct hearings on any matter within its statutory jurisdiction. Such hearings shall be conducted in accordance with chapter 54 and the regulations established pursuant to subsection (a) of section 21a-9. In connection with any such hearing, the board or commission may administer oaths, issue subpoenas,

compel testimony and order the production of books, records and documents. If any person refuses to appear, testify or produce any book, record or document when so ordered, a judge of the Superior Court may make such order as may be appropriate to aid in the enforcement of this section.

(4) Each board or commission may request the Commissioner of Consumer Protection to conduct an investigation and to make findings and recommendations regarding any matter within the statutory jurisdiction of the board or commission.

(5) Each board or commission may recommend rules and regulations for adoption by the Commissioner of Consumer Protection and may review and comment upon proposed rules and regulations prior to their adoption by said commissioner.

(6) Each board or commission shall meet at least once in each quarter of a calendar year and at such other times as the chairperson deems necessary or at the request of a majority of the board or commission members. A majority of the members shall constitute a quorum except that for any examining board forty per cent of the members shall constitute a quorum. Any member who fails to attend three consecutive meetings or who fails to attend fifty per cent of all meetings during any calendar year shall be deemed to have resigned from office. Members of boards or commissions shall not serve for more than two consecutive full terms which commence on or after July 1, 1982, except that if no successor has been appointed or approved, such member shall continue to serve until a successor is appointed or approved. Members shall not be compensated for their services but shall be reimbursed for necessary expenses incurred in the performance of their duties.

(7) In addition to any other action permitted under the general statutes, each board or commission may upon a finding of any cause

specified in subsection (c) of section 21a-9: (A) Revoke or suspend a license, registration or certificate; (B) issue a letter of reprimand to a practitioner and send a copy of such letter to a complainant or to a state or local official; (C) place a practitioner on probationary status and require the practitioner to (i) report regularly to the board or commission on the matter which is the basis for probation, (ii) limit the practitioner's practice to areas prescribed by the board or commission, or (iii) continue or renew the practitioner's education until the practitioner has attained a satisfactory level of competence in any area which is the basis for probation. Each board or commission may discontinue, suspend or rescind any action taken under this subsection.

(8) Each examining board within the Department of Consumer Protection shall conduct any hearing or other action required for an application submitted pursuant to section 20-333, as amended by this act, and any completed renewal application submitted pursuant to section 20-335, as amended by this act, not later than thirty days after the date of submission for such application or completed renewal application, as applicable.

Sec. 78. (NEW) (*Effective from passage*) (a) There is established an account to be known as the "Main Street Investment Fund account" which shall be a separate, nonlapsing account within the General Fund. The account shall contain any moneys required by law to be deposited in the account. Moneys in the account shall be expended by the Office of Policy and Management for the purposes of providing grants not to exceed five hundred thousand dollars to municipalities with populations of not more than thirty thousand or municipalities eligible for the small town economic assistance program pursuant to section 4-66g of the general statutes for eligible projects as defined in subsection (d) of this section. Municipalities shall apply for such grants in a manner to be determined by the Secretary of the Office of Policy

and Management.

(b) In awarding such grants, the secretary shall determine that an eligible project advances the municipality's approved plan pursuant to subdivision (2) of subsection (d) of this section. Such advancements may include, but not be limited to, facade or awning improvements; sidewalk improvements or construction; street lighting; building renovations, including mixed use of residential and commercial; landscaping and development of recreational areas and greenspace; bicycle paths; and other improvements or renovations deemed by the secretary to contribute to the economic success of the municipality.

(c) A grant received pursuant to this section shall be used for improvements to property owned by the municipality, except the municipality may use a portion of the proceeds of such grant to provide a one-time reimbursement to owners of commercial private property for eligible expenditures that directly support and enhance an eligible project. The maximum allowable reimbursement for such eligible expenditures to any such owner shall be fifty thousand dollars, to be provided at the following rates: (1) Expenditures equal to or less than fifty thousand dollars shall be reimbursed at a rate of fifty per cent, and (2) any additional expenditures greater than fifty thousand dollars but less than or equal to one hundred fifty thousand dollars shall be reimbursed at a rate of twenty-five per cent.

(d) For the purposes of this section:

(1) "Eligible expenditures" include expenses for cosmetic and structural exterior building improvements, signage, lighting and landscaping that is visible from the street, including, but not limited to, exterior painting or surface treatment, decorative awnings, window and door replacements or modifications, storefront enhancements, irrigation, streetscape, outdoor patios and decks, exterior wall lighting, decorative post lighting and architectural features, but do not include

(A) any renovations that are solely the result of ordinary repair and maintenance, (B) improvements that are required to remedy a health, housing or safety code violation, or (C) nonpermanent structures, furnishings, movable equipment or other nonpermanent amenities.

(2) "Eligible projects" means projects that are part of a plan previously approved by the governing body of the municipality to develop or improve town commercial centers to attract small businesses, promote commercial viability, and improve aesthetics and pedestrian access.

Sec. 79. (*Effective from passage*) (a) For the purposes described in subsection (b) of this section, the State Bond Commission shall have the power, from time to time, to authorize the issuance of bonds of the state in one or more series and in principal amounts not exceeding in the aggregate ten million dollars, provided five million dollars of said authorization shall be effective July 1, 2012.

(b) The proceeds of the sale of said bonds, to the extent of the amount stated in subsection (a) of this section, shall be used by the Office of Policy and Management for the purposes of the Main Street Investment Fund account established pursuant to section 78 of this act.

(c) All provisions of section 3-20 of the general statutes, or the exercise of any right or power granted thereby, which are not inconsistent with the provisions of this section are hereby adopted and shall apply to all bonds authorized by the State Bond Commission pursuant to this section, and temporary notes in anticipation of the money to be derived from the sale of any such bonds so authorized may be issued in accordance with said section 3-20 and from time to time renewed. Such bonds shall mature at such time or times not exceeding twenty years from their respective dates as may be provided in or pursuant to the resolution or resolutions of the State Bond Commission authorizing such bonds. None of said bonds shall be

authorized except upon a finding by the State Bond Commission that there has been filed with it a request for such authorization which is signed by or on behalf of the Secretary of the Office of Policy and Management and states such terms and conditions as said commission, in its discretion, may require. Said bonds issued pursuant to this section shall be general obligations of the state and the full faith and credit of the state of Connecticut are pledged for the payment of the principal of and interest on said bonds as the same become due, and accordingly and as part of the contract of the state with the holders of said bonds, appropriation of all amounts necessary for punctual payment of such principal and interest is hereby made, and the State Treasurer shall pay such principal and interest as the same become due.

Sec. 80. (NEW) (*Effective from passage*) (a) As used in this section and sections 81 to 88, inclusive, of this act unless the context indicates a different meaning:

(1) "State agency" or "agency" means any office, department, board, council, commission, institution or other agency in the executive branch of state government or a quasi-public agency as defined in section 1-120 of the general statutes;

(2) "Private entity" means any individual, corporation, general partnership, limited partnership, limited liability partnership, joint venture, nonprofit organization or other business entity;

(3) "Public-private partnership" means the relationship established between a state agency and a private entity by contracting for the performance of any combination of specified functions or responsibilities to design, develop, finance, construct, operate or maintain one or more state facilities where the agency has estimated that the revenue generated by such facility or facilities, in combination with other previously identified funding sources, including any

appropriated funds, will be sufficient to fund the cost to develop, maintain and operate such facility or facilities, provided state support of a partnership agreement shall not exceed twenty-five per cent of the cost of the project;

(4) "Partnership agreement" means an agreement executed between a state agency and a private entity to establish a public-private partnership;

(5) "Project" means a project that an agency has submitted to the Governor for approval as a public-private partnership;

(6) "Contractor" means a private entity that has entered into a public-private partnership agreement with a state agency;

(7) "Facility" means any public works or transportation project used as public infrastructure that generates revenue as a function of its operation; and

(8) "Proposer" means a private entity submitting a competitive bid in response to solicitation or a proposal in response to a request for proposals for an approved project for consideration.

(b) Notwithstanding the provisions of section 4b-51 of the general statutes, once the project is approved by the Governor in accordance with section 81 of this act, any state agency may establish one or more public-private partnerships and execute a partnership agreement for a project in accordance with this section and sections 81 to 88, inclusive, of this act. A partnership agreement may not be established for the operation or maintenance of a facility unless such agreement also provides for the financing and development of such facility.

(c) The design, development, operation or maintenance of the following new or existing project types are eligible for consideration as a public-private partnership if approved as a project in accordance

with section 81 of this act:

(1) Early childcare, educational, health or housing facilities;

(2) Transportation systems, including ports, transit-oriented development and related infrastructure; and

(3) Any other kind of facility that may from time to time be designated as such by an act of the General Assembly.

Sec. 81. (NEW) (*Effective from passage*) (a) On and after the effective date of this section and prior to January 1, 2015, the Governor shall approve not more than five projects to be implemented as public-private partnership projects. The Governor shall not approve any such project unless the Governor finds that the project will result in job creation and economic growth. Any agency seeking to establish a public-private partnership shall, after consultation with the Commissioners of Economic and Community Development, Construction Services and Transportation, the State Treasurer and the Secretary of the Office of Policy and Management, submit one or more projects to the Governor for approval.

(b) In determining whether a project is suitable for a public-private partnership agreement, the agency shall conduct an analysis of the feasibility, desirability and the convenience to the public of the project and whether the project furthers the public policy goals of section 80, this section and sections 82 to 88, inclusive, of this act, taking into consideration the following, when applicable:

(1) The essential characteristics of the proposed facility;

(2) The projected demand for use of the facility and its economic and social impact on the community and the state;

(3) The technical function and feasibility of the project and its

conformity with the state plan of conservation and development adopted under chapter 297 of the general statutes;

(4) The benefit to clients of the agency and the public as a whole;

(5) An analysis of the value provided for the cost of the project, that at a minimum includes a cost-benefit analysis, an assessment of opportunity costs and any nonfinancial benefits of the project;

(6) Any operational or technological risk associated with the proposed project;

(7) The cost of the investment to be made and the economic and financial feasibility of the project;

(8) An analysis of public versus private financing on a present value basis, and the eligibility of the project for other public funds from local or federal government sources;

(9) The impact to the state's finances of undertaking the project by the agency; and

(10) The advantages and disadvantages of using a public-private partnership rather than having the state agency perform the function.

(c) An agency shall not include a project solely based upon the amount of potential revenue generated by such project.

(d) Any agency submitting a project in accordance with subsection (a) of this section shall at the same time transmit, in accordance with the provisions of section 11-4a of the general statutes, a copy of its submission to the joint standing committees of the General Assembly having cognizance of matters relating to finance, revenue and bonding and appropriations and the budgets of state agencies. Said committees shall hold public hearings on any such submission.

(e) The Governor shall notify the agency when a project has been approved as a public-private partnership project.

(f) On or before January 15, 2013, and annually thereafter, the Governor shall report, in accordance with the provisions of section 11-4a of the general statutes, to the General Assembly concerning the status of the public-private partnerships established under this section.

Sec. 82. (NEW) (*Effective from passage*) (a) Notwithstanding the provisions of section 4b-91 of the general statutes and chapter 242 of the general statutes, the agency shall, when it determines appropriate, provide for a process of prequalification for private entities. Any such process shall include public notice of the prequalification process and the requirements and the criteria the agency will use in determining whether the private entity qualifies for prequalification. Any agency that has determined that such a prequalification process is appropriate for the project shall allow only prequalified private entities to be a proposer. The agency may charge a reasonable application fee for prequalification.

(b) In addition to any requirements set forth in the request for proposals, request for qualifications or bid solicitation for a public-private partnership project in order to be prequalified, a private entity shall:

(1) Have available such lawful sources of funding, capital, securities or other financial resources that, in the judgment of the agency in consultation with the Department of Economic and Community Development, are necessary to carry out the public-private partnership project if such private entity is selected as the contractor;

(2) Possess either through its staff, subcontractors, a consortium or joint venture agreement the managerial, organizational, technical capacity and experience in the type of project for which the proposer is

submitting a bid proposal;

(3) Be qualified to lawfully conduct business in this state; and

(4) Certify that no director, officer, partner, owner or other individual with direct and significant control over the policy of the private entity has been convicted of corruption or fraud in any jurisdiction of the United States.

Sec. 83. (NEW) (*Effective from passage*) (a) Any agency seeking to enter into a public-private partnership shall conduct a competitive procurement process for the selection of a contractor. The agency shall use, where appropriate, in accordance with the nature and scope of the project, (1) competitive bidding, as defined in section 4e-1 of the general statutes, or (2) competitive negotiation, as defined in section 4a-250 of the general statutes.

(b) Prior to beginning a competitive procurement process in accordance with subsection (a) of this section, an agency may issue a request for information to obtain information regarding potential public-private partnership projects.

(c) In conducting the competitive procurement process, the agency shall meet the following requirements in addition to the requirements set forth in subsection (a) of this section:

(1) Contain, within the bid specifications, a detailed description of the scope of the proposed public-private partnership project;

(2) Contain the material terms and conditions of the terms applicable to the procurement and any contract that results;

(3) Provide public notice of the invitation to bid, request for proposal or request for information not less than thirty days prior to the due date, unless the agency head makes a written determination

that a lesser time period is appropriate and will preserve the competitive nature of the procurement; and

(4) Publish the evaluation and selection criteria and shall include a determination which proposals best serve the public purpose of sections 80 to 88, inclusive, of this act.

(d) The agency may pay a stipend to an unsuccessful proposer, in an amount and on the terms and conditions determined by the agency as reasonable, if (1) the agency cancels the procurement process less than thirty days prior to the date the bid or proposal is due, or (2) the unsuccessful proposer submits a proposal that is responsive and meets all the requirements established by the agency for the public-private partnership project. The agency may require the proposer to grant the agency the right to use any work product contained in any unsuccessful proposal, or in the event of a cancelled procurement as set forth in this section, any work product developed prior to cancellation, including designs, processes, technologies and information. All conditions for a stipend shall be clearly set forth in the request for information, bid solicitation, request for proposal or request for qualifications.

(e) The agency may retain financial, legal and other consultants and experts to assist in the procurement, evaluation and negotiation of public-private partnerships and for the development of eligible facilities in accordance with sections 80 to 88, inclusive, of this act. Such services may be procured through a contract with a private entity or with another state agency.

Sec. 84. (NEW) (*Effective from passage*) (a) Any partnership agreement executed in accordance with the provisions of sections 80 to 88, inclusive, of this act shall include, but not be limited to, the following terms and conditions:

(1) The term of the agreement, which shall be for a period not to exceed fifty years from the date of the full execution of the partnership agreement;

(2) A complete description of the facility to be developed and the functions to be performed;

(3) The terms of the financing, development, design, improvement, maintenance, operation and administration of the facility;

(4) The rights the state, the contractor, or both, have, if any, in revenue from the financing, development, design, improvement, maintenance, operation or administration of the facility;

(5) The minimum quality standards applicable to the project for development, design, improvement, maintenance, operation or administration of the facility, including performance criteria, incentives and disincentives;

(6) The compensation of the contractor, including the extent to which and the terms upon which a contractor may charge fees to individuals and entities for the use of the facility, but in no event shall such fee extend to the imposition of tolls on the highways of this state unless such tolls are specifically approved by the General Assembly;

(7) The furnishing of an annual independent audit report to the agency covering all aspects of the partnership agreement;

(8) Performance and payment bonds or other security deemed suitable by the agency;

(9) One or more policies of public liability insurance in such amounts determined by the agency to ensure coverage of tort liability for the public and employees of the contractor and to provide for the continued operation of the partnership project;

(10) A reverter of the project to the state upon the conclusion or termination of the partnership agreement;

(11) The rights and remedies available to the agency for a material breach of the partnership agreement by the contractor or private entity or if there is a material default;

(12) Identification of funding sources to be used to fully fund the capital, operation, maintenance or other expenses under the agreement; and

(13) Any other provision determined to be appropriate by the agency.

(b) No partnership agreement shall contain any noncompete provisions limiting the ability of the state to perform its functions.

(c) No user fees may be imposed by the contractor except as set forth in a partnership agreement.

(d) The partnership agreement shall not be construed as waiving the sovereign immunity of the state or as a grant of sovereign immunity to the contractor or any private entity.

(e) No contractor shall be liable for the debts or obligations of the state or the agency, unless the partnership agreement provides that such contractor is liable under such agreement.

Sec. 85. (NEW) (*Effective from passage*) The state agency or the state may apply for and accept funds from local or federal government and other sources of financial aid to further the purposes of this section and sections 80 to 88, inclusive, of this act, and to fund public-private partnerships entered into in accordance with said sections.

Sec. 86. (NEW) (*Effective from passage*) (a) Each public-private partnership project shall either be subject to the prevailing wage

requirements pursuant to section 31-53 of the general statutes or the rate established by the use of a project labor agreement. The agency shall provide notice of which requirement applies prior to soliciting bids or proposals for such public-private partnership.

(b) Each public-private partnership project shall comply with: (1) The state's environmental policy requirements as set forth in sections 22a-1 and 22a-1a of the general statutes, (2) the requirements of the set-aside program for small contractors as set forth in section 4a-60g of the general statutes, and (3) any applicable permitting or inspection requirements for projects of a similar type, scope and size as set forth in the general statutes or the local ordinances of the municipality where the project is to be located.

(c) Any agency that is subject to section 4e-16 of the general statutes shall comply with the provisions of section 4e-16 of the general statutes, provided, notwithstanding the provisions of subsection (a) of section 4e-16 of the general statutes, any agency that enters into a partnership agreement concerning the operations or maintenance of a state facility that meets the definition of a privatization contract, as defined in section 4e-1 of the general statutes, shall be subject to the requirements of section 4e-16 of the general statutes regardless of whether such services are currently privatized.

Sec. 87. (NEW) (*Effective from passage*) (a) In addition to any other remedy available to the state, in the event of a material default by the contractor, the state may elect to assume the responsibilities and duties of the contractor of the public-private partnership project, and in such case, the state shall succeed to all of the rights, title and interest in such partnership project, subject to any liens on revenue previously granted by the contractor to any person providing financing thereof.

(b) Any state agency having the power of condemnation under state law may exercise such power of condemnation to acquire the public-

private partnership project in the event of a material default by the contractor. Any person who has provided financing for the public-private partnership project, and the contractor, to the extent of its capital investment, may participate in the condemnation proceedings with the standing of a property owner.

(c) The agency may terminate, with cause, the partnership agreement and exercise any other rights and remedies that may be available to it at law or in equity.

(d) The state may make or cause to be made any appropriate claims under the maintenance, performance or payment bonds, or lines of credit, as set forth in the partnership agreement.

(e) In the event the state elects to assume the responsibility and duties of a partnership project pursuant to subsection (a), the agency may develop or operate the public-private partnership project, impose user fees, impose and collect lease payments for the use thereof and comply with any service contracts as if it were the contractor. Any revenue that is subject to a lien shall be collected for the benefit of and paid to secured parties, as their interests may appear, to the extent necessary to satisfy the contractor's obligations to secured parties, including the maintenance of reserves. Such liens shall be correspondingly reduced and, when paid off, released. Before any payments to, or for the benefit of, secured parties, the agency may use revenue to pay current operation and maintenance costs of the qualifying project, including compensation to the agency for its services in operating and maintaining the public-private partnership project. The right to receive such payment, if any, shall be considered just compensation for the project. The full faith and credit of the agency shall not be pledged to secure any financing of the contractor by the election to take over such project. The assumption of the operation of the partnership project shall not obligate the agency to pay any obligation of the contractor from sources other than revenue.

Sec. 88. (NEW) (*Effective from passage*) Any property developed, operated or held by a private entity pursuant to a partnership agreement shall be exempt from municipal property tax.

Approved October 27, 2011